

**THE ROLE OF OPTIMISTIC OVERCONFIDENCE IN
A DECISION-MAKING FRAMEWORK FOR ENTERING A NEW
EMERGING MARKET:
DUTCH ENTREPRENEURS IN INDONESIA**



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International Business and Management
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by

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Acknowledgement

This is a thesis based on personal observations during the setting up of a SME in Indonesia. Getting to know global entrepreneurs in Indonesia has inspired this thesis. To understand their drive, to understand their perseverance, to understand their motives has been a valuable lesson throughout the thesis. For these global entrepreneurs, that want to experience the growth of South East Asia, especially Indonesia, this thesis will hopefully be able to give a good perspective on what needs to be done in order to prepare an entrepreneur to dive into the markets of Indonesia and be still able to assess all information needed in the setup phase in such a manner that is objective or least void of as many assumptions as possible.

The thesis won't have been finished without the constant trust and support shown by Dr. Bartjan Pennink. Throughout the whole process he has been kind, and reminded me of the importance of systematic thinking, gently urged me to finish the thesis, and not to forget to enjoy the intense and exciting the process of doing a master thesis. Maturnuwun anggenipun nyengkuyung, pak Bartjan.

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Abstract

This thesis continues to work on a previously developed framework aimed at analysing emerging markets. The analysis includes the institutional context, an industrial analysis and a company analysis, and adds the component of optimistic overconfidence to address the sometimes illogical behaviour of international entrepreneurs. While the previously developed framework assumed a rational decision making. The new framework will help in part explain why an entry mode is chosen. The new framework is applied to international entrepreneurs who have in recent years setup a new company in Indonesia. International entrepreneurs that come from and operate in different industries. Using a longitudinal research design, rather than in-depth interview post market entry to Indonesia, could provide more precise results for the decision making process.

Keywords

Emerging markets, Business sector analysis, Institutional environment, Industry attractiveness, Company analysis, FDI, Entry mode decision, Motivated Reasoning, Optimistic Overconfidence and Indonesia

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1. Introduction

This chapter aims to introduce the reader to the topic of how motivated reasoning might be responsible for irrational decision-making portray by (Dutch) entrepreneur whom chose to expand to Indonesia. First the background of this thesis will be presented, which is followed by the problem discussion. The problem discussion leads to the main research question and the sub questions. Additionally, also the delimitations will be briefly presented. This chapter ends with an outline of the chapters in this thesis.

1.1 Background

The world witnesses a fast-paced ever-changing balance in the economy in the past decade. The investment landscape of the world is changing, as the global balance shifts from week to week. While developed countries in the past years struggled to achieve one digit growth on Gross Domestic Product (further mentioned as GDP) and some even had negative growth such as the United States, which once ever hit a -4.6% GDP growth (Tradingeconomics.com, 2012).

At the same time several developing and transition countries have achieved positive GDP growth. The opportunities of emerging markets have been attracting large sums of Foreign Direct Investments (further mentioned as FDI) in the past five years. The surge of FDI in developing countries was driven by a 10% increase in Asia and a 16% increase in Latin America and the Caribbean, while FDI to the transition economies increased by 25% to USD 92 billion (UNCTAD, WIR 2012). Most investors believe that entering emerging markets can give numerous possibilities to nurture a sustainable growth. This is at least what 75% of 1.440 CEOs, who participated in the CEO Global Survey, conducted by PricewaterhouseCoopers (further mentioned as PwC), in 2005 stated.

Indonesia has risen to a position as one of the emerging markets that investors are focusing on. Indonesia offers strong sustainable economic growth of 6% in the past years, high foreign currency reserves and strong FDI (InvestmentU, 2010). After recovering from the 1998 Index drop of 50%, Indonesia has been the world's second best performing stock market, up nearly 86% in 2009. Indonesia has consistently increased its domestic consumption and investment, which compensates for a global slowdown in export growth. The rise of middle class has been, if not the

crown jewel, at least an important part of Indonesia's position as an attractive emerging market. The consumer sector took off, thanks to the 60 million low-income Indonesian workers that started to join the middle class, a process that will continue through the coming decade. This has cemented Indonesia's position as one of the fastest growing consumer markets in Asia after China and India. This has resulted in an increased economic growth of 6.3 percent in 2003 to 6.4 percent in 2008.

The attractiveness of emerging markets such Indonesia is not only appealing for establishment of a presence in Indonesia for multinational companies, but also for so-called international entrepreneurs. These entrepreneurs are people whose main drive is to enact on and exploit the opportunities across national borders (McDougall and Oviatt, 2005).

In order to be able to navigate the ride, new entrants need to canvass the opportunities and threats to deal with emerging markets. The prospects of high returns, like most opportunities for high return, are accompanied with high uncertainty (Bernstein, Four Pillar of Investing, 2012). With the rapid changes, and for some countries the asymmetrical distribution of information, it is not easy to construct an analysis of pro's and con's for these new entrants.

As mentioned in the Preface, based on the experiences of Mr. Van den Brink and me we saw the need for framework to map opportunities and threats when we chose to start a business in an emerging market. Master student Van den Ban (2009) developed such a framework for analyzing emerging market business sectors in his master thesis for Vietnam. Van den Ban (2009) included several renowned theories in his thesis. His thesis was extended by Quist (2011), also in a master thesis, who applied these theories and translated it to factors.

Quist (2011) strengthened the proposed framework of Van den Ban (2009) by including variables of relevant theories. Using this framework will help new entrants to better assess the opportunities and threats within a particular sector based on the institutional context, an industrial analysis and a company analysis. In Quist's work, there is the notion that the manager, who makes the decisions, will make that decision rationally. However, as Quist (2011) points out in her framework, despite the assessment and analyses prior to making a decision on entry, there is always a certain amount of uncertainty that manager needs to face. At the end of the day it depends on how managers make sense of the information, based on his or her intuition and emotions toward these findings (Quist, 2011, p81).

The framework of Quist (2011) had been used to assess the attractiveness of soy industry in Brazil. Brazil is chosen because it is one of the BRIC countries, with a lack of academic research on the decision-making process for SME entering that market. Brazil rose in recent years very fast as one of the emerging markets.

The urge to understand what affects an entrepreneur/manager to internationalize, or what motivates or constraint the internationalization decision, and to understand how they make sense¹ of the information in order to make decision has directed the choice of this study to investigate managers of small-medium enterprises (further mentioned as SME) established in Indonesia with foreign investment, in this thesis FDI from the Netherlands.

Whetten (1989) suggests that early research needs to focus on where the phenomenon of interest is most likely to occur. This idea has influenced the choice of the sample used in this research. The choice in this thesis to focus on SME is mainly because the founders are unlikely to have a formal processes for the set up phase that eliminate any systematic risk. The decision making tree in a SME is often not very long. For the purpose of this study, this allows to tap the knowledge of the decision-making entrepreneurs/ managers directly. SME's limitations in resources make it even better to focus. Another decision to focus on SME; while Van den Ban (2009) and Quist (2011) look at sectors based on the perspective or experience of managers, in this study the focus is on SMEs, more specifically the international entrepreneurship; foreign entrepreneurs who mostly come from the Netherlands or Belgium and set up their company (either as a joint venture, partnership, or sole proprietorship) in Indonesia.

This study will not focus on an industry or sector level but on the company level. To understand and map what the factors are and types of information of the framework that are considered important for the decision to enter an emerging market like Indonesia. The study will try to make a move toward understanding on how decision makers collect and digest the information during the data collection and analysis phase. By doing this, the thesis will be able to seek whether the framework of Quist (2011) still has its use in Indonesia. And also, this will look deeper on the process of sense making of the information.

¹ The word sense making is used in this study to stress whereas people give meaning to their experience or to unknown situation (Weick, 1995; p4)

1.2 Purpose

The academic relevance of this thesis is to provide insights and determine what the factors are and the type of information that is considered important for the decision to enter an emerging market like Indonesia, especially when it touches the subject of motivated reasoning and optimistic overconfidence during pre-entry by international entrepreneurs. The study will attempt to make a move toward understanding on how decision makers collect and digest the information during the data collection and analysis phase.

Master student Quist (2011) proposes a framework based on a rational decision maker. This assumption is not uncommon in economic theories. However, emerging market often lack of information, information important for making a rational decision to enter a market or country. Incomplete information means higher risk and at some point it can mean a manager/ entrepreneur shouldn't take the risk to opt for a market entry in Indonesia. However just like the story of Mr. Van den Brink, he opted for market entry because at some point he believed he already had the right information at hand. His previous experiences in Indonesia have also made him bolder to take the decision to move ahead with the decision to enter Indonesia.

The purpose of this research is to study the influence of motivated reasoning in market entry decisions of Dutch SMEs by analyzing the variables proposed by Quist's (2011) framework on analyzing emerging market opportunities. Optimistic Overconfidence (further mentioned as OO) is a notion of being certain of success, without being backed up by prove, and only to (sometimes) end up disappointed, represented in a potentially catastrophic error.

By investigating the influence of motivated reasoning on market entry decision, this research extends the previous researches by integrating the behavior of the decision maker on entering an emerging market. This research will show variables or areas that matters when one wants to enter Indonesia as the investment destination which then need to be analyzed further before one actually enter Indonesia market. Furthermore this research intends to showcase variables that (entrepreneur) managers on this research prone by OO.

1.3 Problem statement

Research starts according to Merriam (1994) with a problem or a question, which scientists solve by doing research. Derived from the problem indication, the problem statement is formulated as follows:

In what instances does optimistic overconfidence occur for Dutch international entrepreneurs, when making sense of information during the decision-making process for choosing the entry-mode to Indonesia?

1.4 Research questions

In order to answer the problem statement about choosing an entry mode, the following research questions will be answered:

1. *What similarities are there between international entrepreneurs and the model of Quist when it comes to sense making?*
2. *Which aspects of the decision-making process are affected by motivated reasoning?*
3. *When motivated reasoning occurs, in which circumstances does this lead to optimistic overconfidence?*

1.5 Methodology

Data will be collected through in depth interviews, using semi-structured questionnaires. The question will focus on factors considered important pre- and post entry to the Indonesian market. The potential gap between the two are used to further investigate the possible occurs of motivated reasoning. And in extreme cases even OO.

1.6 Structure of the thesis

The thesis will be structured as follows; Chapter 2 is the literature review. This includes also the framework of Quist (2011). Chapter 3 covers the methodology, including sample selection. Chapter 4 is the Results. This thesis ends in chapter 5 with the conclusion, the limitations of the research and the possibilities for further researches.

2 Literature review

The aim of the research is to understand if international entrepreneurs of SMEs, during the decision-making process of entry to Indonesia, experience OO, and if so, what kind. This research attempts to go beyond the framework of Quist (2011) by considering the possibility of irrational behaviour that might occur during the decision making process. In this chapter several important theories and definitions relevant to these theories are discussed; theories about internationalization (mode), decision-making, motivated reasoning, optimistic overconfidence, small-medium enterprises and elements of Quist (2011) framework.

2.1 Small-medium enterprises (SME)

Definitions of SMEs differ from one research to another. Indicators proposed to define SMEs range from profits to turnover size or from total capital to market position. In this research the definition of European Commission (2005, p.5) is used, which indicates that SMEs (micro, small and medium-sized enterprises) are enterprises with fewer than 250 employee and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.

2.1.1 Characteristics of SMEs

SMEs are said to be the backbone of growth in several regions, especially with the vulnerability of the economic situation that hampers development of USA or European countries these days. In the ASEAN region, SMEs are been a raising force, with about 22% of SMEs being direct exporters or supplier to multinationals. SMEs account for 23% of direct exports from all ASEAN firms compared to 77% for large firms. Malaysia and Thailand are leaders in terms of SME share of direct exports, followed by Vietnam (16.8%) and Indonesia (9.3%) based on Asian Development Bank 2011 (Wignajaya, 2011).

Despite of their smaller size, SMEs are able to adapt easily and progressively due of its absence of standardization and the prevalence of loose and informal working relationship. This makes

SMEs more flexible to environmental changes, which make SMEs are more likely to survive economic turbulence than large bureaucratic organizations (Ghobadian and Gallear, 1996).

The communication experienced by SMEs and its customers helps them react faster and more flexible to their customers' needs. SMEs are well known for their bold risk taking during situations where the survival of the enterprise may be threatened or where serious competition is undermining their activities. By not having experience or information about foreign markets, the entrepreneur or management team takes risk on decision-making (Hollensen, 2001).

Hollensen (2001), also notes the way these organizations are organized, with the employees of SMEs being really close to the entrepreneur/manager of the firm, which makes them easily influenced by this actor. At the same time, due to the flat (or lack of) hierarchy, SMEs have a more flexible work environment and enables top management to build a strong personal relationship with their employees (Ghobadian and Gallear, 1996).

2.1.2 SMEs' motives for Internationalization

One of the main motives to expand to foreign markets is often to gain access to new and larger markets in order to achieve growth. Some enter a foreign market to access know-how technology in order to remain competitive. Different strategic goals means there are different internationalization processes undertaken by firm. To start the internationalization process, someone or something either from inside or outside the firm must initiate the strategy of the process (Hollensen, 1998). Firms can receive internal or external stimuli in the decision making in initialization of export, where both internal qualities and environmental factor play an important role (Cavusgil, 1982). The intention of a firm's internationalization is influenced by the opportunities of the foreign market (Albaum, Stranskov & Duerr, 1998). Those opportunities are stimuli only if the company has the resources to enter that market. This kind of export stimuli is known as proactive (pull factors), whereas the stimuli received from the reaction to changing conditions and passive attitude to export opportunities (push factors) (Cavusgil, 1982).

2.2 Motivated reasoning

Traditionally, economics theories are based on the 'rational man' assumption, i.e. individuals are selfish actors who seek maximum utility, and when presented with a set of alternatives, select the alternative offering greatest utility to them. Behavioural economists question this assumption. The challenges how this 'rational man' assumption can explain, *inter alia*, altruistic actions such as charitable donations or tipping waiters in restaurants while on vacation.

Cooper et al., (1988) states that quite often individuals initiating actions with almost absolute confidence that their actions will succeed. This confidence has an effect on how an individual seeks and reviews the information that should help them act wisely. This confidence can potentially produce many positive results, including generating the enthusiasm and the persistence needed to act and to succeed in risky situations. Motivated reasoning occurs when a person's desire to reach an optimistic conclusion unintentionally influences his/her cognitive processes, leading him or her to overestimate the chance of positive outcomes (Lench, 2009).

Alternatively, this certainty can result in optimistic overconfidence (OO). Scholars have begun to study OO and its impact to related construct. One of the connections relatively new in its development is to study the link between OO and entrepreneurship. OO is used to explain the certain tendency of risk-taking action by entrepreneurs. To understand the decision environment characteristics that may lead to OO, Krizan and Windschitl (2007) proposed the three-stage process shown below on how people assess the likelihood of an event's outcome.

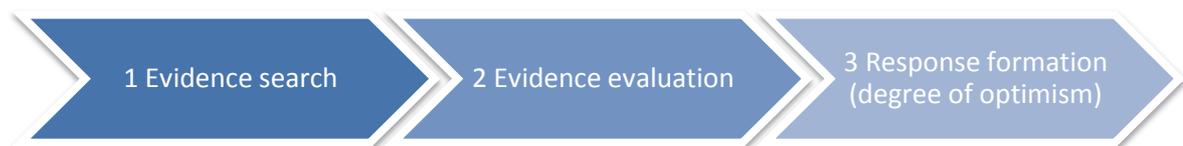


Figure 1: Three-stage process OO
Source: Krizan and Windschitl

During the first stage, evidence search, people choose among a wide variety of specific items that may either bolster or undermine their belief in a given outcome. Several factors, such as what the person believes is relevant and what is naturally salient, determine the evidence they actually consider. During the second stage, evidence evaluation, people process or use the evidence they acquired during the search phase, relying on a variety of approaches, such as the availability heuristic or calculation. They scrutinize and give weight to the evidence based upon

their conscious or subconscious assessments of the evidence's perceived importance and reliability. In the third and final stage, response formation, individuals create internal expectations that represent optimism or pessimism.

A person, however, does not simply use information that is accessible or available in a passive fashion, but plays an active role in deciding what evidence to search for and how to evaluate it. Thus, the process outlined above is far from deterministic and can lead to a wide range of conclusions. Some studies (e.g., Griffin and Varey, 1996; Krizan and Windschitl, 2007; Kunda, 1990) indicate that motivated reasoning influences the three-stage progression above and can lead to OO.

During the evidence search stage, motivated reasoning may lead to OO because individuals are inclined to ask themselves if the conclusions they desire is likely to be true, rather than by also asking whether they are likely to be false (Krizan and Windschitl, 2007; Kunda, 1990). Thus, they end up with a disproportionately high number of instances that are consistent with their optimistic hypotheses and a disproportionately low number of instances that are inconsistent with them. During the evidence evaluation stage, the motivated individual may have the tendency to subconsciously evaluate evidence in ways that support the favored outcome (Kunda, 1990). This optimistic overconfidence occurs when people overestimate the likelihood that their favored outcome will occur, causing them to fail to realize their expectations and, very important, end up disappointed. The bias potentially can create a judgment error (Griffin and Varey, 1996).

2.3 Framework Quist (2011)

In her master thesis, Quist (2011) builds a framework which assists organizations to assess whether a specific business sector in an emerging market is attractive to be entered. More than that, the framework is meant to give pointers, which help a decision-maker to choose the entry mode that most suitable for the needs of the organization in the designated emerging market.

In her framework Quist (2011) adds variables, which should make it easier to gather and construct data and insights. In Quist's framework (2011) an analysis, that needs to be made in order for the decision-maker to be able to get a complete view of the opportunities in emerging market, includes:

1. Institutional context
2. Industry analysis
3. Company analysis

This context and these analyses is followed by a decision-making model, which should be able to weight the factors to choose a certain entry mode to start a new venture in an emerging market. The following paragraphs elaborate on the different aspects of Quist's' framework (2011).

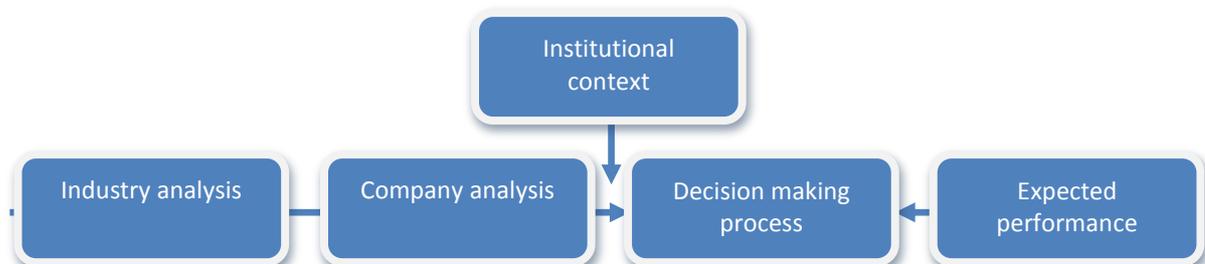


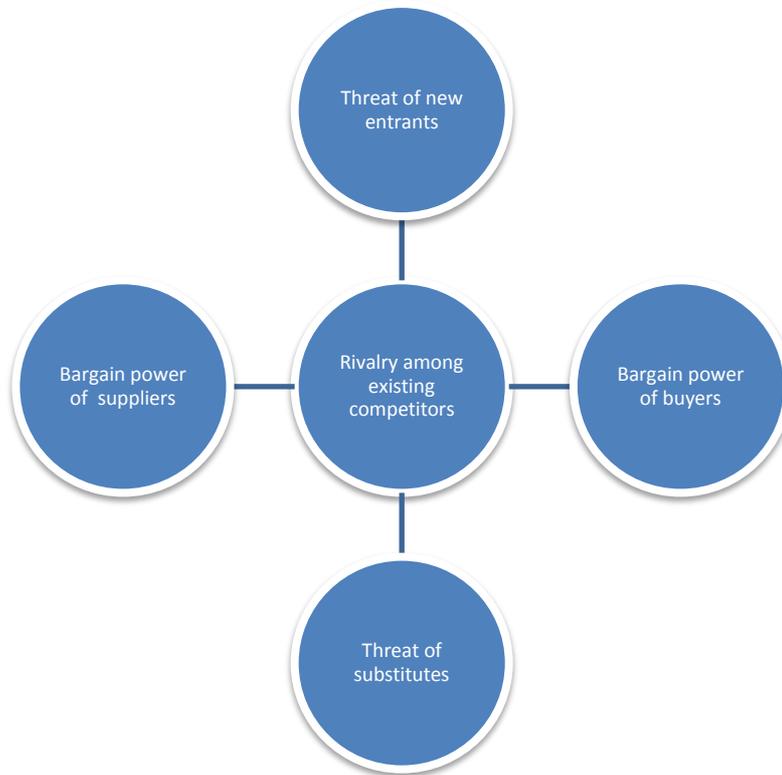
Figure 2: Framework Quist
Source: Quist (2011)

2.3.1 Institutional analysis

Quist (2011) argues that the institutional context, shown in the framework of Quist (2011), is equal for all business sectors within a country, since it describes the institutional environment. According to this framework, despite a possible positive industry outlook or company resources for foreign investment, if there is a negative development within the institutional context, this can stop the internationalization process (Quist, 2011).

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In order to be able to understand, assess, and analyze the institutional context, Quist (2011) uses Whitley business system (1999) and varieties of capitalism of Hall and Soskice (2001). Business systems according Whitley are perceived as characteristic patterns of economic organization that vary in their degree and mode of authoritative coordination of economic activities. There are nine key characteristics that define a business system. Using these characteristics, Whitley



distinguishes six different business systems. This implies that to enter a foreign market, a firm is required to adapt toward the host country's business system. A company, capable to identify the characteristics of the host market business system, should be able to develop a right set of strategies for a successful entity (Whitley, 1999).

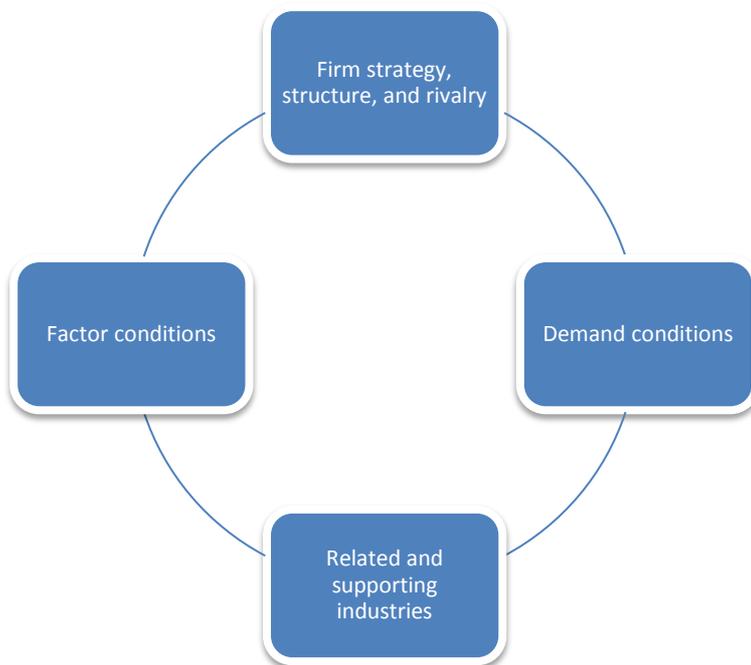
Figure 3: Five Forces

Source: Porter (1979)

2.3.2 Industry analysis

The industry analysis is business sector specific. Each country has a different realization of its business sectors. By analyzing a business sector it is expected that the opportunities and threats can be mapped within that specific sector. Quist (2011) focuses on business sector elements that belong to external factors and argues that it is valid for all parties in that specific industry and not just for one organization.

To analyze the industry analysis, Porter's diamond (1990) and the five forces theories are used to gather and structure the data. Porter's diamond analyzes the competitiveness of the industry,



which is an indication of attractiveness of that industry in a specific country. The five forces theory model of Porter (1980) is a framework for industry analysis, and business strategy development. It draws upon industrial organization (IO) economics to derive five forces that determine the competitive intensity and therefore attractiveness of a market, see also appendix III.

Figure 4: Diamond
Source: Porter (1990)

Attractiveness in this context refers to the overall industry profitability. An unattractive industry is one in which the combination of these five forces act to drive down overall profitability.

2.3.3 Company analysis

Internal factors are being thoroughly analyzed in the company analysis. The outcome of industrial analysis influences the company analysis, as the industrial analysis should be able to give an indication on what resources are essential available and what needs to be required in order to operate in a specific industry. Moreover, in the company analysis it is determined whether these resources can bring the firm to have a competitive advantage (Quist, 2011).

For the company analysis, Quist (2011) uses variables of the resource based view theory. Resources are regarded as those assets and capabilities of a firm that are semi-permanently tied

to a firm, such as the brand name, reputation, knowledge, technology, personnel, capital, etc. The resources can be considered to be either strength or a weakness of a firm. Whether this is the case is based on e.g. the amount of bargaining power of suppliers and buyers. Also the availability of substitute resources is important factors (Wernerfelt, 1984).

Hoopes, Madson and Walker (2003) argue that unique resource needs to be valuable, rare, and isolated from imitation or substitution, than a source can be considered a sustainable competitive advantage. This implied of the needs to keep differentiate the product or service by able to work in a niche market and increased the training and knowledge transfer.

2.3.4 Decision-making process

At a certain point, a firm has to decide on how to enter a foreign market. The institutional context analysis, industry and firm analysis should be sufficient in providing the necessary information. Quist's framework (2011) states a company has to determine two factors:

1. Availability of enough resources
2. Investment choice

Both factors are linked; a lack of resources means that these need to be acquired. This indicates that a joint venture might be a preferred entry strategy. Quist (2011) mentions that in emerging markets the resources that need to be acquired are in numerous cases highly context specific. That means that they are not available within the organization before entering the markets, which leads firms to acquire these resources by acquisitions and joint venture (Meyer et al, 2009). Attractiveness of market and imitation of the success of other (peer) firms that are able to enter the foreign market might be factors that dominant in decision-making on entry mode (Bockem and Tuschke, 2010). The main challenge of the decision making process is the degree of uncertainty that is involved (Quist, 2011). Quist (2011) proposes in her framework to use several decision-making theories, such as Bayesian Decision Theory (BDT), Ownership-Investment intensity dimension, Risk tree analysis and also expected performance.

2.3.4.1 Bayesian Decision Theory (BDT)

Using BDT will allow a decision-maker to use the prior information (Berger, 1985) or sample information (Hop, 2012). The analysis is be able to give insights into the uncertainty involved in the decision making process.

2.3.4.2 Ownership-investment intensity dimension

Entry choices depend heavily on two dimensions: the level of ownership and investment intensity dimension (Lassare, 2007). Ownership relates to the degree of control thought necessary by the decision-maker. The investment intensity dimension relates to the decision on whether the firm should invest in assets and competencies for value-adding activities and limiting operations to commercial, development, and administrative activities. Lassare proposes a framework where the choice of entry mode depends on what opportunities and threats that exist. This will become apparent when analyzing the market by using the framework figure below.

		Ownership dimension	
		None or limited control	Full or absolute control
Intensity of Investment	High	Joint venture with minority equal or non-absolute position Consortium partner	Wholly owned subsidiaries by Greenfield investment Full or dominant acquisition or JV with absolute majority (above 60%)
	Low	Arm’s length agreements: Distributor Licensing Agent Representative Franchise Correspondent	Regional headquarters Marketing subsidiaries Procurement office Representative office Technical observatory

Figure 5: Ownership, opportunities and threats

Source: Lassare (2007, p. 195)

Hesposs and Strassmann (1965) note that the investment decision is one of the most difficult decisions to make, as it involves a considerably amount of capital and is expected to have a long-lasting effects while the investment itself relies on the implementation of strategy and a high degree of uncertainty. Therefore, Quist (2011) adds two more techniques considered helpful to untangle the uncertainty factor; the risk analysis and decision-tree analysis which produce a decision based on the data collected.

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Risk analysis determines the probability of specific variables on an investment decision. It is important that all risks are identified and accounted for. This step is a major importance when taking decisions in uncertain condition. At the same time with risk analysis, the steps are more than only recognizing and quantifying. Risk analysis also addresses how to lessen the risk and manage it (Piccirollo and Noro, 2008).

When time series investments need to be analyzed, the decision tree analysis might come handy. Decision tree analysis basically establishes for each decision point how it is connected to two or more decision choices with an indicated probability (Coles and Rowley, 1995; Hespos and Strassman, 1965). Decision tree will be most effective when the probabilities of risks are known (Santos, et al, 2008). It has to be noted that not all possible options and events are included in the decision tree. In addition to this, there's still uncertainty as the indicated probabilities of certain outcome is estimation. Different decision makers may come to different conclusions because of the use of different criteria.

Establishing expected or future performance is the main reason for using one or more analyses when planning internationalization. As noted before, it is not easy to accurately predict the impact of a strategy in a emerging market. One apparent reason why it is hard to predict the impact of a strategy in an emerging market is because no historical data exists yet on performance indicators such as return on asset (ROA), return on equity (ROE) and return on investment (ROI) (Eiteman, Stonehill, Moffett, 2010). Since the historical information is absent, firms often analyze and replicate successful organizations in FDI (Bockem and Tuschke, 2010). This difficulty can also be contributed to possible bad conditions of the financial system or because of changes in the financial system (Hosikisson et al, 2000).

2.4 Framework

During the application of the framework on Brazil's soy market, Quist (2011) is able to analyze the institutional context, industry and company analysis. The analyses are complete and thorough. However, Quist (2011) was not able to relate the data that compiled for institutional context, industry analysis and company analysis with the decision-making process.

Quist (2011) argues that it is most likely, because the decision-making is more specific and it needs firm-level data to see why a decision goes into a particular direction. Moreover, she puts forward the thought that decision-making is influenced by the decision-maker specific behavior. This behavior might be led through intuition and influenced by emotions (Kumar and Subramaniam, 1997). The effect of variations of interpretation of information by managers is also not included in framework. Especially when dealing with uncertainty.

One assumption used in Quist's framework (2011) is rational-behavior that is applied when a manager collecting, analyzing information and later deciding which entry mode or internationalization strategy will be adopted by a new venture.

This research would like to take a step into understanding how information is being perceived and analyzed during the decision making process of SMEs manager. The focus here is the decision-maker. The human factor adds its (ir)rational factor, that has previously been purposely neglected to be included. It is a manager that makes the decision and not the firm (Perks and Hughes, 2008).

2.4.1 Decision-maker role equals entrepreneurship

It is expected from the decision-maker to strategizing on how and when to enter a (emerging) market in order to pursue what is believed to be an opportunity. Lumpkin and Dess (1996) state that the act of market entry, where the manager of a firm must decide what markets to enter, when, and how has been defined as an act of entrepreneurship. Being a manager that decides to go to an emerging market, means that the person should be ready to allocate scarce resources to be able to enter an international market entry that (can) carry highly uncertain outcomes without any guarantees of return (Lumpkin and Dess, 1996; McDougall and Oviatt, 2000). Most managers that consider to go to an emerging market might have some risk-averse behaviour. However, at

some level when they believe that there's a potential, the position has changed toward manager to entrepreneur manager where using creativity to expand the boundary (Dequech, 2001). These changes of entrepreneurial managers are the focus of this study.

2.4.2 Entrepreneurship and Optimistic Overconfidence

Often manager who initiate the entrepreneur actions believe with high confidence that their actions will lead to success (Cooper et.al, 1998). The very same research, Cooper et.al. (1998) also reveals that 33% of venture founders are absolutely convinced that their ventures have zero chance of failure. It is also argued that qualities that differentiate entrepreneurs from others are the certainty with which they expect their actions to generate positive outcomes (Palich and Bagby, 1995). According to Gervais, Heaton, and Oden (2002), this kind of confidence increase the persistence needed or simply generating enthusiasm which might led entrepreneur managers to put more effort in action, such as collecting information on an emerging market. At the same time this confidence can potentially produce OO. As mention earlier section, OO occurs when people overestimate the likelihood that their favoured outcome will happen (Griffin and Varey, 1996), and result in a negative outcome. Initial certainty of success and/or high optimism may hinder performance by leading to inadequate research, inappropriate resource deployment, and inflexibility (Gartner, 2005; Hayward et.al, 2006; Hmieleski and Baron, 2009).

When entering an emerging market, opportunities and risks come hand in hand. The degree of uncertainty is also high, which means the entrepreneur manager should be able to take decisions despite uncertainty due of limited information with context that fits to answer the doubt. The context of the information is important, as mentioned earlier sometimes what people believe sometimes matter the most. Using Quist framework (2011), the focus is into looking for the signs and influences of OO on the decision-making made by the decision-maker (entrepreneur manager) on entry mode. The attention will be toward investigating variables within the Quist (2011) framework that might enlighten the position, where the decision-maker to think in four minds state that made the tendency of OO occur.

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These four states of minds are the possibility of increased;

- I. Potential loss or gain
- II. Greater ambiguity
- III. Lower base rate
- IV. Ignoring base rate

Targeting larger markets through internationalization might cause to investing a greater percentage of firm resources, and is likely to increase the probability of motivated reasoning and potentially leading to OO, because it increases the size of profits possible by allowing the firm to aggressively pursue promising opportunities (Lumpkin and Dess, 1996).

Emerging and growing market usually are accompanied with strong changes and dynamics; sometimes this can make the country itself hostile (for investors). An entrepreneur manager entering a hostile environment might not know the probability on the hostile situation as they do not fully address of the all relevant information. Levinthal and March (1993) showcase how easily people forget examples of failed products, because they are shorter-lived. And people are reluctant to publicize defeats while the success story lives on. An emerging market is dynamic market with its frequent changes, including shifts in industry structure and market demand (Sirmon, et al., 2007). Dynamic environments may lead to OO for two reasons.

Firstly, the data used to make decisions can often be ambiguous (Keren, 1991; Klayman et al., 1999). The setting causes people to see patterns that do not exist (anymore) and this generates a rareness of information needed to identify and understand cause-and-effect relationships (Gartner and Thomas, 1993). Relevant evidence about time to market, technology, and competition is often unavailable, imprecise, or obsolete. This ambiguity allows entrepreneur manager to interpret the information (too) positively.

Secondly, companies competing in these dynamic markets often experience high failure rates (Brown and Eisenhardt, 1995), which can also increase OO. These companies face smaller decision windows and volatile resource needs and find it difficult to control the outcome (Sirmon et al., 2007). Entrepreneurs bringing new products or services may over-commit resources to key success factors, while these factors just changed. Unsurprisingly, Hayward et al. (2006) claims that the more dynamic the task, the bigger the entrepreneur's overconfidence can be. The environment's propensity to provide uncertain information allowing for positive interpretation,

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combined with low base rate of success, leads Hmieleski and Baron (2009) to argue that managers exhibit extremely high levels of optimism in these instances. Too much optimism may lead to conducting poor research, over-investing in resources, failing to make needed adjustments (Mahajan, 1992), and having lower performance (Hmieleski and Baron, 2009). On one hand this may even be the most important reason for startup failures (Gartner, 2005). On the other hand, OO involving moderate optimism may be more likely to lead to positive results.

There can be situations when entrepreneur managers, during the internationalization process, when it coincides with motivated reasoning toward success of (promised) opportunities, will lead to OO. An important limitation of Quist (2011) master thesis is to connect the decision to internationalize on one side and the string of analyses both external and internal on the other side. In this research the notion by introducing OO to the analysis to show that during the information gathering and analysis there's an ongoing activity within the decision maker to give meaning to the information (Weick, 1993). By giving meaning, a perceived opinion is made. A perceived opinion, which consists on what the decision-maker believes, this depends on the situation and the context and then will results into a decision. A decision that might be inspired by not objective or relevant information available, but by OO.

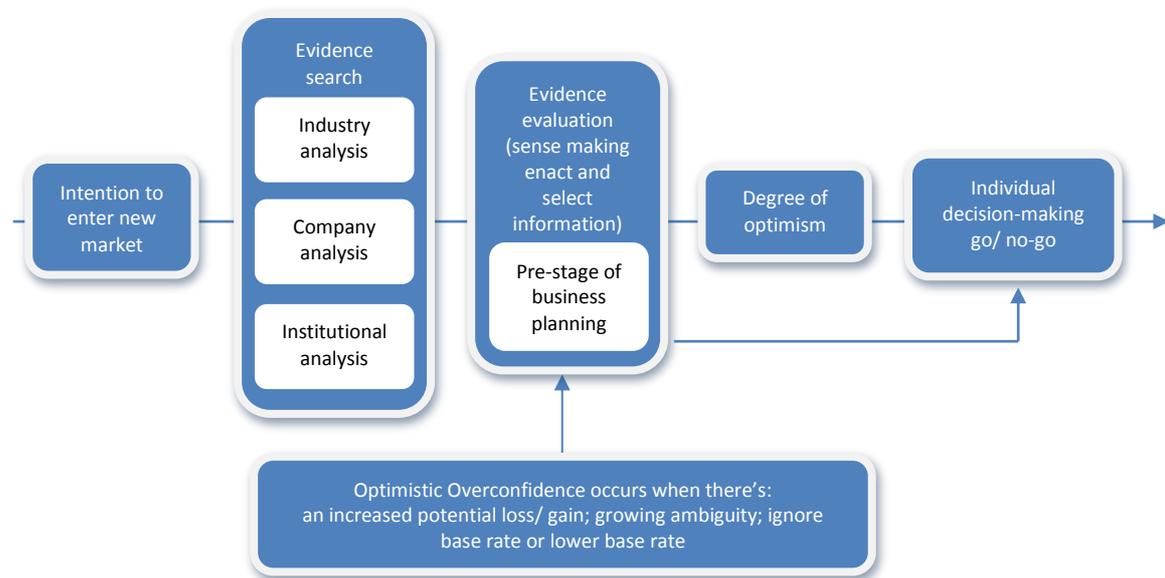


Figure 6: Conceptual model with OO
Source: by author

This chapter introduces the framework of Quist (2011) and an overview of the previous studies that research the phenomenon of OO. And concluded with an extend model of Quist including OO.

3 Methodology

In this chapter the methodology of the thesis will be discussed in order to give an overview how the study is conducted.

3.1 Research methodology

This research aims to understand on how motivated reasoning influences the decision making of entering new developing market such as Indonesia. Qualitative research is seen as the most fitted method to this study, as qualitative research can unravel the why and how of decision-making and not how often, where, or when as is the case with quantitative research. Therefore a smaller, but focused sample, is sufficient rather than a large sample (Denzin, N. K., & Lincoln, Y. S.,2011). Whetten (1989) suggested that early research focused on where the phenomenon of interest is most likely to occur influences the choice of the sample. In this study, the focus is on small-medium businesses, as they are unlikely to contain formal processes that allow for a systematic risk assessment.

In order to explore the prepositions on the possibility of the presence of motivated reasoning and even optimistic overconfidence on the entry mode and its process of collecting, analysis, and decision-making, in-depth interviewing is adopted as the method to collect the data. Maykut & Morehouse (1994:46) states that, "The data of qualitative inquiry is most often people's words and actions, and thus requires methods that allow the researcher to capture language and behavior. The most useful ways of gathering these forms of data are participant observation, in-depth interviews, group interviews, and the collection of relevant documents. Observation and interview data is collected by the researcher in the form of field notes and audio-taped interviews, which are later transcribed for use in data analysis".

In this study, in-depth interviewing is chosen, since this method is able to use to elicit information in order to achieve the understanding from the point of view of the interviewee's situation. Both from the perspective of the interviewee before making the go/no-go decision and how the interviewee looks back on those decisions in relation to the current performance of their company after the entering the Indonesian market. The in-depth interviews are also expected to explore interesting areas for further investigation (Berry, 1998b). Through the analysis of background information of the respondents, interviews, notes and documents patterns can be

examined which were common or unusual. From this a sense can be gotten whether an issue or influence is relevant or not in for the decision-making of entrepreneurial managers. The group of firms does not represent the total population, as the aim of this research is not looking for the frequency of a particular phenomenon. The research is based on 15 interviews conducted by researcher.

In-depth interviews and the standardized open (and some closed questions) allow for probing and discussion of issues, the information gathered is enriched with internal and external sources such as company reports and internal memos. Although this method provides somewhat less flexibility for questions, probing is still possible, depending on the course of the interview (Patton, 1987 p112).

By using the extended questioning and discussion with the entrepreneurial managers with a free flow of responses generates rich data and it helps to disentangle the complexity of decision-making process (Gummesson, 2006). In this study a content analysis is done, where patterns and responses are examined which are common or unusual. From this a sense of whether a decision is being influenced by motivated reasoning, and if so what are the impact of motivated reasoning during the decision-making toward entry mode to enter Indonesia.

3.2 Sample selection

Data is collected in two ways, which are desk research at the beginning to enable the making of questionnaire and answered necessary research sub-questions. After that the in-depth interviews are done.

In this thesis sample selection is carefully taken, as a sample is important to understand the characteristic of population elements (Sekaran, 1992). There are many sampling techniques available for researchers to choose. In this study a convenience sampling is chosen, which means collecting information from members of the population who are conveniently available to provide it (Sekaran, 1992). The reason for a convenience sample is related to the availability of contact information of recently started company that meet the requirements for this study.

For data collection, the first sample selection is that the SME's fits with the definition of the SME Guidelines of European Union. The selection for SME's is based on a list issued by the Indonesia Netherlands Association (INA), the chamber commerce of Belgium, Netherlands, and

Luxembourg in Indonesia. The contact information is acquired through the INA database of dates from the year 2011. From this list 72 companies, meeting the SME criterion, are purposely selected and approached. It is essential for this study that the in-depth interview should be done with the manager that involved with the decision of entering Indonesia market and later on established the company in Indonesia. From 72 companies approached, there are 25 companies whose manager is involved during the establishment of the company in Indonesia.

In the end, there are fifteen Dutch SMEs willing to participate in this study. Twelve of them are also the sole owner or at very least own 20% of the company. While the other 3 were not directly involved with the establishment, but at were still intimately knowledgeable about the founding of their company. Since they have been with the company during foundation or have taken over directly from the manager who established the company. The ownership of minimal 5% or the direct involvement in establishment of the company is important factor to be chosen as respondent.

The overview of the persons interviewed can be found at Appendix I. The questionnaire is presented in Appendix II. As it is a semi-structured survey, the interviewee is free in answering those questions in any manner that they'd like to answer. The list of questions is developed by using the framework of variables of Quist (2011) however by using scores for each analysis to reveal what was deemed as important before they're enter Indonesia versus on what they think important once they are in Indonesia. For each respondent the time of interview varied from 60-90 minutes. Time is preserved in manner that there's always a room for additional questions during the interview. All of the interviews are conducted in Jakarta; 14 respondents were direct interviewed and 1 respondent through Skype.

4 Results

The analysis will follow each part of Quist framework (2011), but with a focus on the possibility of discrepancies between expectations pre setup and results post setup. The respondents have to evaluate his or her on assumptions, and assess if these were indeed objective considerations before setup, with the knowledge post setup. By doing so it is expected to unfold the influence of motivated reasoning and even its by-product optimistic overconfidence's influence by the entrepreneur manager. All respondents have ties with the Netherlands either as the branch company from the Netherlands or Dutch investor as the primary shareholders, see appendix 1.

4.1. History

Before discussing variables below, it is important to get a better understanding of the Indonesia economy especially in the era of the post financial crisis of 1997. Indonesia has always had a special relation with the Netherlands as it used to be one of its colonies; the Dutch Indies that gained independence in 1945. The relationship will be discussed in present light. Later on through the variables of Quist (2011), the overview of opportunities and threats in doing business under the institutional framework of Indonesia, which are important for the Dutch entrepreneurs who want to enter the emerging market of Indonesia.

4.1.1 Introduction

Indonesia as a nation is officially established in 1945 through its independence proclamation. Spices were the main reason for European explorers to find a route to Indonesia. The Portuguese were among the first that able to find the route to Indonesia, and reached the beaches of Aceh in 1509, then ruled by the Samudera Pasai kingdom (Ricklefs, 2005). In 1602 through the Verenigde Oost Indische Compagnie (also known as the VOC), the Dutch did their best to monopolize the business by building a trade centre in Banten and then later on established other business centres in Ambon. After 200 years, on the 1st of January 1800, the VOC closed and was declared bankruptcy. Corruption and inefficiency operations had eaten the organization from the inside out. Its possessions were nationalized as the Dutch East Indies, which then officially made Indonesia as one of the colony of the Dutch kingdom. The profitability was the foundation of

official policy (Ricklefs, 1991). After 1830 a system of forced cultivations and labor was introduced on Java; the Cultivation System or “Cultuurstelsel” (in Dutch) is a policy where farmers or the landowners are forced to grow export crops so then the funds will be raised to meet their land-tax commitment to the colony; the area to be planted with export crops such as coffee, sugar, tea, cinnamon, pepper, tobacco, cotton, or silk, will be based on the land-tax commitment of rice production. A balance was supposed to be established between rice production and export crops and both the village and the colonial economy and the Netherlands would enjoy the benefits. However local farmer suffered and famine followed shortly. The profits increased but so too had the cost of maintaining the colonial military establishment, and that, in turn, applied pressure for more export crop development. The colonial government did little to stop corruption and abuses, which made, what was in fact a highly organized system of forced labor (Ricklefs, 1991).

In 1901 the Dutch adopted the Ethical Policy, which included somewhat increased investment in indigenous education, and modest political reforms. The Dutch colonialists formed a privileged upper social class of soldiers, administrators, managers, teachers and pioneers. They lived together with the natives, but at the top of a rigid social and racial caste system (Cribb and Kahin, 2004). Despite the colonization, Dutch was not made the official language of the colony and wasn't widely used by the indigenous Indonesian. In 1942 only two percent of total population of the Dutch East Indies conversed in Dutch, including over 1 million indigenous Indonesians (Meijer, 2004). Prior to 1870, Malay was used as the language in government schools and training programs so graduates could communicate with groups from other regions. The colonial government then standardized Malay based on the version of Riau and Mallaca (Sneddon, 2003). Later in early of 20th century during the movement of independence, the founding fathers of Indonesia adopted this form and called it Bahasa Indonesia. The term "Indonesia" itself came into use for the geographical location after 1880.

The World War II had its effect with the Japanese short invasion of three years (1942-1945) that powerful enough to end the Dutch's rule. This event led to the Indonesian independence movement in 17-08-1945 with the declaration by Soekarno-Hatta, the duo founding fathers of Indonesia. The independent movement itself already started since 1908 with the rise of the National Awakening movements under the umbrella of ethical policy of the Dutch state and the increased number of local intellectuals (Elson, 2008). After the independence declaration, the

young republic had to start its long journey. Ir. Soekarno and Drs. Mohammad Hatta became the first President and Vice President of the young republic. The journey wasn't smooth, as Indonesia had to gain recognition from international community.

From 1945-1950, Indonesia was confronted with the Netherlands's will to return to its former colony by sending its troop and called it *Politonele Acties*. In December 1949, with international pressure rising, the Dutch formally recognized the Indonesian independence. Economically, during 1945-1950, Indonesia had to face a blockade of the Netherlands so no trade happened. Industry wise due of nationalization, there was no proper transition period on how to run these companies, this especially applied to plantation and mining. The strong sense of nationalism and anti-colonialist feelings made the Dutch or Indo (Dutch Indonesia descendants) chose to leave Indonesia because of a lack of security. The inflation noted in this period was around 650%, with a deficit of the trade balance of Rp 5,1 billion, and the raise of Indonesian population from 60 million people (1930 census) to 97 million people (1961 census) (Leirissa et.al, 1996).

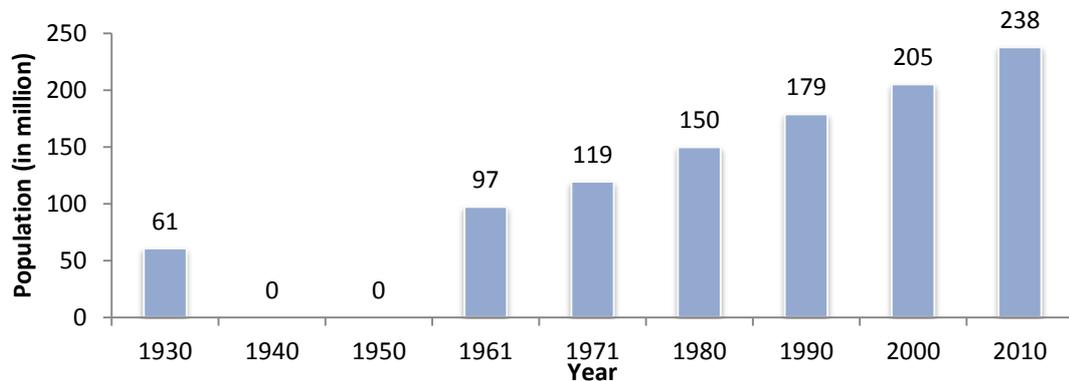


Figure 7: Indonesian Population 1930 - 2010
Source: Biro Statistik Indonesia, 2010

The combination of national crisis in economy, political instability, inexperienced government, and economic nationalism resulted in severe poverty and lead to the attempted coup in 1965. General Soeharto outmaneuvered Soekarno and became president in 1968. Soeharto's administration brought strong discipline to economic policies that brought the inflation down from 650% to 13% in 1969. Under Widjojo Nititsastro, the minister of trade and economy at that time, the economy growth rate was on average 6,5% from 1970 to 1980. He focused on three main programs (Harian Kompas,, 2013):

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1. Development of the agriculture sector, followed by increased employment possibilities by creating industries which do not depend on high-technology
2. Giving access to education and health service to the poor
3. Controlled population growth through family control planning

The rising oil price in 1970 was definitely another strong factor, which contributed to economic enhancement until 1981. GDP per capita grew 545% from 1970 to 1980 as a result of the sudden increase in oil export revenue. At the same time the Soeharto administration had garnered attention and support from the West, which had helped in rescheduling foreign debt and attracted foreign aid and investment. In 1981, the oil price dropped and slowed growth rate down to an average of 4.3% per annum. Economic reformation was introduced in 1981-1988, such as the management of Rupiah devaluation, to improve export competitiveness and the deregulation of financial sector. Stronger manufacturing sector with export-oriented goods then boost Indonesia economy that grew on average 7% from 1989 to 1997 (Schwarz, 1994).



Figure 8: Indonesia GDP Growth Rate 1961 - 1998

Source: World Bank Data

The economy growth stalled in 1997 and consecutively in 1998 when Indonesia was hit hard from the Asia Financial crisis. The effects severed for Indonesia as the Rupiah fall short on the USD and suddenly the public debt reach US\$60 billion. In 1998, the real GDP contracted by 13.7%. The economy reached its low point in mid-1999 and real GDP growth for the year was 0.3%. Inflation reached 77% in 1998 but slowed to 2% in 1999. Economic reform took place, such as macroeconomic indicators stabilization and elimination of some of national (protectionist) policies as clove monopoly or a national car that involved Soeharto's immediate family. However, it wasn't enough to stabilize the Rupiah which fall from Rp.2600/USD 1 at the start of August 1997 to Rp11,000/USD1 at January 1998. The crisis combined with lacking of support within government and the rise of popular protests due to lack confidence in Soeharto's government in

1998. This forced him to announce his resignation as President and was replaced by his deputy BJ Habibie (Robison, 2009).

Habibie quickly assembled a new cabinet and re-establish the trust from the International Monetary Fund (IMF) through the Extended Fund Facility and the donor community support for the economic stabilization program. Habibie is also famous for popular decisions such as the release of political prisoners and lifting the ban on freedom of speech and association that were put in place by Soeharto. Habibie's government was also quick in preparing the election on 7th June 1999 and resulted the Partai Demokrat Indonesia-Perjuangan (PDI-P) headed by Megawati Soekarnoputri, the daughter of late Soekarno, as the winner of the election. Post Soeharto, Indonesia has experienced three different heads of state in the past fourteen years. Political unrest still happened, however it is not at the level of the 1998 political unrest. Pursue of democratization and renewed commitment on economic growth has been the main theme of the program of the last three presidents.

4.1.2 Indonesia Economy Today

Post Soeharto, the Indonesian economy grows strong in the past years. With its strong growth in the past years, on average 6% in the past 5 years, Indonesia has grown to its former position before the Asia financial crisis as one of the "tigers". It is now the fourth largest economy in East Asia after China, Japan, and South Korean. Regarding the nature of the industries, the structure also changed gradually from agriculture toward manufactured exports (Goeltom, 2007). With the amount of oil sources reduced, the government focuses on diversifying away from oil export and toward the manufactured exports. Trade barriers in 1980's were reduced and Indonesia is more economically integrated with global trade. When it's about the share of world GDP, Indonesia share in 2010 was the same as before crisis of 1997 (World Bank, 2010).

Indonesia is the fourth most populous nation in the world with approximately 242 million people. The growth of population slowed down, by 2016 Indonesia will be accounted for 11% of the population of East Asia and 3.5% of global population. The median age in Indonesia is 28, which is relatively young. The working age has been rising. The educational attainment of Indonesia's population has also risen in the past decade. There was an increased five times than its original number of 450 higher education institutes. Most likely Indonesia will enjoy strong productivity

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gains from investments in its human capital since it will give more possibility to have more workers to be employed in industries with relatively high value (del Granado et al, 2007).

In 2005 Indonesia experienced a small crisis as international oil price rose. The currency exchange rate reached Rp 12,000/USD 1 before stabilizing. Susilo Bambang Yudhoyono's administration, the current president, had to cut fuel subsidies (US\$14 billion) which then led to the doubling of consumer price's fuels and double-digit inflation (rose to 17%). Interest rate then rose by Bank Indonesia to halt the rupiah slump and helped bring investors back. Since 2006, Indonesia's economic outlook was more positive. Economic growth accelerated to 5.1% in 2004 and reached 5.6% in 2005 and in 2012 has achieved 6.2%. Real per capita income has reached fiscal year 1996/1997 levels. The Jakarta Stock Exchange was the best performing market in Asia in 2004 up by 42%. The unemployment rate (in February 2007) was 9.75% (World Bank Data, 2007). Despite a global economy crisis, Indonesia's economic growth accelerated to a ten-year high of 6.3% in 2007. This growth rate was sufficient to reduce poverty from 17.8% to 16.6% based on the Government's poverty line and reversed the recent trend towards jobless growth, with unemployment falling to 8,46% in February 2008 and decreased to 6,6% in 2011 (World Bank Data, 2011).

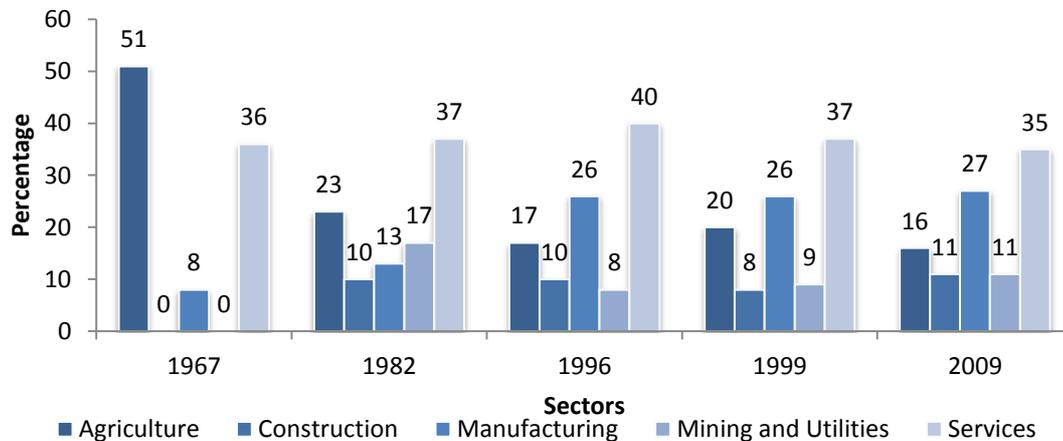


Figure 9: Indonesia Output by Sector
Source: World Bank Data, 2009

This resilience of domestic demand to external influences sets Indonesia apart from its ASEAN peers; over the past 10 years the correlation between domestic final demand and exports was considerably lower in Indonesia than in its neighboring countries. Domestic demand is likely to continue to expand strongly over coming years, supported by an expanding middle class and ambitious government plans to improve infrastructure.

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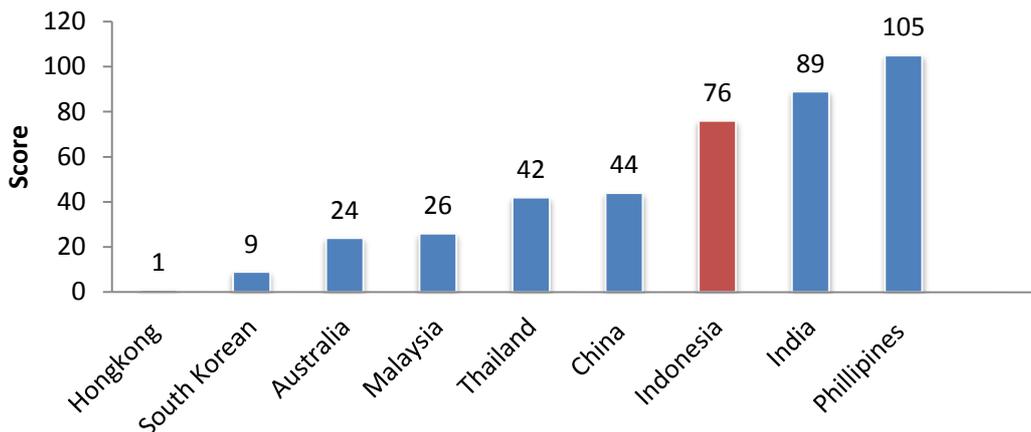


Figure 10: Indonesia Quality of Infrastructure 2011²

Source: World Economic Forum, 2011

The poor quality of physical infrastructure in Indonesia continues to be a major problem for foreign investment. Indonesia is often ranked well below Malaysia and Thailand in global measures of infrastructure quality. Indonesia, after China and India, is the third fastest growing economy in the G20 industrialized and developing economies. Indonesia enjoys stronger fundamentals with the authorities implemented wide-ranging economic and financial reforms, including a rapid reduction in public and external debt, strengthening of corporate and banking sector balance sheets and reducing bank vulnerabilities through higher capitalization and better supervision. Nevertheless, (ADB et al 2010).

Strong consumption growth also reflects rising incomes, with Indonesians moving out of poverty and into the middle class. Strong investment growth is also expected to underpin domestic demand over the next decade, just as it did from the 1960s through to the Asian crisis. Infrastructure investment is expected to be particularly robust, with government plans already in place to substantially improve the current poor state of infrastructure in the country through traditional public works, investment by state-owned enterprises and the encouragement of private investment and public-private partnerships (MP3I Plan, 2012).

In the wake of the Asian crisis, investment fell to 11 % of nominal GDP and Indonesia experienced annual net outflows of FDI until 2001. Since 2001, investment has expanded by around 7 % per annum and its share of nominal GDP has move back up to 32 percent. Subsequent economic reforms including the renewed Investment Law 2007, have allowed FDI to recover to its pre-1997

² Score is based on executive survey responses covering the quality and/or availability of roads, railroads, ports, air transport, electricity, supply and telecom

levels. Inflows in the first quarter of 2010 were at one of the highest levels achieved in the past decade. In 2010, net FDI inflows increased fourfold to 1.9% of GDP, with the increase broadly based across industries (OECD Indonesia Review, 2010).

Red tape remains the main problem to business despite the procedures are being simplified. With Investment Law 2007, government tried to give standard protection to investors against expropriation. At the same time restriction still persist on foreign equity ownership. The negative list of sectors where private investment or foreign investors are subject to restriction were added to transparency list and has been streamlined at the same time. Indonesia took the decentralization route on the government in 2001. The decentralization initially complicated the regulatory environment due to the lack of capacity and awareness at local levels and coordination between central and local governments, but slowly these constraints have gradually been removed through evaluation and clarification of role. Fighting corruption still the top priority of government. The commitment is shown by establishment of the Corruption Eradication Commission (KPK) that has actively investigated and prosecuted corrupt public officials at every levels of government (KPK website, 2013).

Regarding corporate governance, which is the major contributor on Indonesia economics' collapse during Asia financial crisis back in 1997, Indonesia made notable progress with the establishment of a corporate governance framework through 2007 Company Law. However, the main challenge is how to add more strict rules toward the family companies or family-owned business groups which contributes to 82% of GDP in which 90% of the listed companies are family firms (Susanto, 2000).

4.1.3 Indonesia – The Netherlands business relationship

As mentioned earlier, Indonesia and The Netherlands relationship started already in 16th century through the VOC establishment in Banten and Ambon. There are still some disputes in regards to the de facto acknowledgement toward Indonesia independency by the Netherlands government, which from time to time caused tension in the relationship between Indonesia and the Netherlands. Mostly this was settled with the official visitation of Ben Bot, Dutch's Foreign Affairs minister, in 2005 to attend the Indonesia Independence Day. This is later confirmed by the attendance of Prime Minister Balkenende in 2008 at the celebration of Indonesia independence

by Indonesia Embassy in Den Haag (DetikNews, 2008). This gesture has improved the relationship between both countries immensely. In 2008 the President would like to make an official visit to the Netherlands, however due to the controversy of the allegation from “Republic Maluku Selatan” activists, the visit was cancelled (DetikNews, 2010). Despite the mixed political relationship through the centuries, the relationship is good. And at this moment there are approximately more than 350,000 Indonesia descendants³ are living in the Netherlands (Rijksinstituut voor Volksgezondheid en Milieu, 2012) which means of 2,3% of Dutch population.

When it comes to the economy, The Netherlands is one of the top investor countries in Indonesia. The Netherlands has invested heavily in the finance sector, telecommunication, oil and gas, water management and fast moving consumer goods industry in Indonesia. The Netherlands is also one of the important export countries for Indonesia, with exports rising by 22% in 2011 to Eur 2.3 billion. Exports of vegetable oils and fats from Indonesia accounted for 29% of the total exports. Palm oil has been a strong export commodity, which increased by 35% from 2010. In reverse, the export of the Netherlands to Indonesia has increased from around Eur 450 millions to approximately Eur 500 millions. Eighteen percent of the export to Indonesia is food products, while the export of machine has shown apparent increased as well (CBS, 2011). The increased FDI to Indonesia has resulted in the increase in number of expatriates in Indonesia, especially in Java. In 2009 approximately 16% of 60,000 are Dutch. However, the number of Dutch expatriates is less compared to those of Japan, Korea, or England (Disnakertransduk, 2010).

³ Descendants in CBS count also the second generation whereas one parents is born in Indonesia or both parents born in Indonesia

4.2 Institutional context

The institutional analysis aims to understand how Indonesia fares regarding the variables of institutional context based on the variables of Quist's framework (2011). In this thesis the focus is on OO. To determine OO, it is important to know if respondents underestimate, or were too confident, about certain aspects. And also a link needs to be made between being too confident about a certain outcome, and a negative impact on the performance of the company.

The respondents for this thesis were asked for the institutional analysis to rank, according to the several factors before and after entry to Indonesia. A strong shift in ranking could imply a motivated reason. By probing the respondent on these instances, motivated reasoning can be determined. And if a link is established between motivated reasoning and company performance, OO seems to have occurred. Later the same process is repeated for the industry and company analysis.

Although there are several cases where aspects of the institutional context shifts 2 or more points in ranking (see Appendix III) there appears to be no reason to suspect OO. In the remainder of this chapter the results of desk research regarding the institutional context are presented. It should be noted that in the 4.3.1 Basic and advanced resources and further several examples will be given that also touch subjects that relate to the institutional context.

4.2.1 Ownership coordination and Corporate Governance

To determine what kind ownership coordination an institution has, several factors need to be observed; the owner’s involvement in managing economic resources and activities, concentration of ownership, owner’s knowledge of the business, risk sharing, scope of ownership and exclusivity of ownership (Whitley, 1999). Three types of owner control are distinguished; direct control, market control, and alliance control as can be seen below:

Characteristic	Direct	Alliance	Market Control
Involvement in management	High	Some	Very low
Concentration of ownership	High	Considerable	Low
Owner’s knowledge of business	High	Considerable	Low
Risk sharing and commitment	High	Considerable	Low
Scope of owner interest	High	Considerable	Low
Exclusivity of ownership	Considerable	Limited	High

Table 1: Characteristics of owner control types

Source: Whitley (1999, p. 35)

The strong family business presence in Indonesia has been strengthened during Suharto’s time. During his presidency, there were 200 conglomerates dominating the local economy which made up 58% of national GDP, 24% owned by state-owned enterprise, 10% by foreign direct investment (FDI) and small medium enterprises has controlled around 8% (Wijaya, Asia Times Online, 2012). These days the composition and the way ownership is dispersed might differ, but family-owned or family-controlled business still dominate the business scene of. What is interesting to note is that Indonesia is well known as market dominated by entrepreneurs for ethnic minorities. While the Javanese people are overrepresented in Indonesian politics, Indonesia’s businesses are run for a large part by ethnic minorities (Sato 1993; Schwarz 1994). 3.5% is of Chinese descendants (peranakan) in Indonesia and as a group control around 73% of the country’s non-foreign and non-state-owned firms (EAAU 1995; 37-41).

As example, Group Djarum’s owner, R. Hartono-number 146 richest in the world according to Forbes, 2012- still controlled 51% of Djarum group. Therefore the involvement in management is strong. Some of the business group such as Sampoerna group, Indofood group, or Lippo is already in the hand of the second generation in the family and are preparing the third generation as the leaders of the business groups. With generational leaders, it is fair to conclude that the owner’s

knowledge of business is high as well. Family-owned businesses in Whitley business system is a typical form of direct control (1999).

These family businesses usually tend to share control over the firm only with family members or long lasting family-like relationships from outside the family, which leads to a certain level of exclusivity of ownership. What often happens in Indonesian family owned business is that there is both vertical and horizontal integration. So these businesses, at the centre of a pyramidal structure have control over the production chain and nearby sectors.

Despite the common believe that family-owned firms avoid risk, with the recent high of Indonesia growth, some of the family-business group has expanded their business outside the line of the Indonesian archipelago; e.g. Indofood under Anthony Salim, patriarch of Indofood Group, positioned Indofood within a global supply chain by expanding to Kazakhtan (Jakarta Post, 2013), Brazil, and China (Business Times, 2013) by acquiring shares of local companies. At the same time, Ir. Ciputra, chose the route to Vietnam and Poland as the expansion target country (CiputraNews, 2013) with its property business.

The Indonesian government structured the privatization of state-owned enterprises in the early 90's through the sales of control blocks instead of sales of shares. As a result there was a higher amount of shared ownership between family business groups on one hand and institutional investors on the other. Some ten years later several state-owned enterprises sold their stock, resulting in the possibility for foreign investors that acquire ownership. However, the number of foreign investors in former state-owned enterprises (except telcom and finance) is still relatively low. For example, Indosat, a major telecommunication company, is at this moment owned by Qatar Telecom for 54%. But for Garuda Indonesia Airways, the national airliner of Indonesia, the government still has its majority shares of 51%.

After the financial crisis in 1997-1998 there was a growing demand from investors for a governance system with transparency and disclosure from within the company's management, especially from family-business groups. With the increased volume of the stock market, there was also a growing need for a clear policy on Indonesia's corporate governance to guarantee that firm's decision will not leave the minority shareholders to approve the packages proposed by majority shareholder (World Bank, 2005;7). With the weak legal issues in Indonesia's minority shareholders, there is a possibility for the major shareholders to increase their wealth to the

majority and family shareholders while this gives small advantage for the minority and non-family shareholders (Achmad et al, 2008). This pressure led to initiatives to establish the Indonesian Institute for Corporate Governance (IICG) in June 2000. The IICG main objective is to improve the access to come up with policies, which enhances the transparency and disclosure to the betterment of a firm's corporate governance. The role of corporate governance policies became important as Achmad et. al., (2008) found in his study that the protection for minority shareholders is minimum.

4.2.2 Non-ownership coordination/ interfirm relations

To understand the extent of non-ownership coordination in Indonesia one needs to examine the extent of activities which are integrated through alliances, obligations, or non-ownership linkages. The contrast for each would be on one hand the adversarial contracting and on the other hand a more long-term committed relationship among partners and competitors.

Despite the transformations in law, institutionally is based on trust⁴, which implies that the law system is set, and can be relied upon as the standard of operation by business partners is not yet existent in Indonesia (Rademaker, 1998). When the institutional based trust is absent then other mechanisms such as reputation or family ties are likely to be the source of trust in the linkages between (potential) business partners. Without the strong hand of law, to reduce uncertainties then personal contact becomes important especially with those with political power which can change the rules of games for his/her friends. Unfortunately these kinds of ties are not for everyone as it is limited and costly. Situation where there's a low level of trust between non-kin means that business-to-business relations are likely to be strongly personal in nature (Rademaker, 1998).

One of the main objectives in business is to reduce uncertainty; therefore the inter-firm collaboration potentially will not thrive, as each firm owner will preferably keep his or her relations with their business environment as much as possible, under personal control. Rademaker through his study on market orientation of Jamu (herbs) firms in Java gathered information that there's inter-firm relation within suppliers and customers rather loose and paternalistic. And they differ from those of inter-firm relationship of overseas Chinese. In China the paternalistic behavior is a means to control and works as a coordination mechanism. While in

⁴ Trust here is defined as set of expectations about future behavior shared by all those involved in an exchange (Zucker 1986, p. 54).

Indonesia, the paternalistic behavior is more toward the Bapak(father)ism. This means there's always a father figure within micro societies who will take care the group members; members who have to obey him. There's more shades of social responsibility within the decision being made (Rademaker, 1998) which then prolong the extent of the long-term and cooperative relations between buyer-suppliers or with customers.

The National Chamber of Commerce (Kadin), which fosters all organization as the umbrella of different associations. But firms see these intermediary organizations as potential "political power" friends, but are not necessarily considered important to follow. Working together with competitors might be a good idea, but it should be really full benefit for both parties, and is usually based on a long-term personal relationship. Indonesia itself is in growing stage, which makes firms often to prefer to take its own way to diversification or to expand by itself. By entering different businesses, the firm owner will most likely be able to tap new a network with the right friends and with new opportunities for investment.

4.2.3 Employment relations/employees

The employer-employee interdependence and the delegation to employees has been the examination point of employment relation in a business system. The relation refers to the employment system that is explained through terms of two extremes with a lifetime employment on one side and high rates of employment change on the other side.

If in her thesis, Quist (2011) found that in Brazil the worker turnover rates are very high in industrial sectors, a similar situation also occurs in Indonesia. According to Towers Watson Talent Management and Rewards Indonesia Survey 2012 the turnover rate of Indonesia workforce is considered to be high at 7%. Similar to Brazil, the regulation of labor is quite strict; however it doesn't stop the worker turnover, which is potentially increased through the high growth rates of Indonesia. This in turn provides more choices for the Indonesia workforce when it comes to jobs, especially for the white collar jobs. The system should also able to embrace the biggest foe for some of the employers; trust and discretion toward employees. Lack thereof can cause great problems if employers under invest in human capital, which further decreases the commitment between the employer and the employee. At the same time, while several employees are hopping from one job to the next, the employer feels that the employee have not yet gained the right level

of skills or it also has implication toward delegation of work to employees that need trust and discretion (Whitley, 1999).

4.2.4 Industrial relations

The face of Indonesia's industrial relations is undergoing transformation. Under the Suharto's government (1968-1998), all of the labor's three major rights (the right to organize, the right to negotiate, and the right to act) were heavily restricted to maintain the Pancasila industrial relations (Hadiz, 1997).

In 1999, Habibie (the 3rd Indonesia president) administration instantly prompted a change by approving the ratification of ILO convention no. 87 on Freedom of Association and Protection of the Right to Organize (Mizuno, 2005). During Suharto, the ratification was frozen. This move of President Habibie resulted in an increasing of the number of labor federations at a national level from only 1 organization to 74 labor organizations in October 2003 (Mizuno, 2005). Later on the ratification was revised in 2000 to Act. No 21 of 2000 on Trade Union/Labor Union, Act No. 13 of 2003 on Industrial Relations Employment and Act no. 2 of 2004 on Industrial Relations Dispute Settlement. These laws guaranteed dialogues between government, employer, and employee to organize, negotiate rights, and the right to act when it comes to working relationship. As a result, these laws have reduced the government intervention in the formation of labor unions and in the coordination of industrial relations that then affect the way of bilateral negotiations between employers and workers (Mizuno, 2005).

The laws give more room to maneuver for labor unions, which then become more creative in their strategies for various methods of voicing their opinion or demands by rally on solidarity and participation of workers, and on efficient communication among its members and their executives. However, the laws have been widely viewed as favoring workers at the expense of employers, and there is considerable evidence that it has dealt a blow to Indonesia's overall competitiveness. Industrial disputes in recent years have often ended in violence, either with workers taking out their frustration at the failure to resolve their grievances, or employers enlisting security forces to put down protests (Agrawal, 2010).

4.2.5 Vocational training and education

Indonesia's institutions of higher education have experienced dramatic growth since independence. Indonesia's institutions of higher education have experienced dramatic growth since independence. In 1970, 450 private and state institutions enrolled about 237.000 students, and by 2009 there were 2,975 institutions of higher education and more than 4.2 million students. Of these institutions, 3% were public, with 57.1% of the student enrollment, and 97% were private, with 42.9% of the student enrollment. (Kuipers, 2011).

Despite of the tremendous growth of Indonesia, based on an OECD report on Economic Survey 2012, it highlighted that Indonesian graduates are the weakest link in the growth of economy. According to its finding that the graduates are not ready for the work field when they finish their university degree as they have no (practical) skills needed by the companies. This is also confirmed by the interview findings for this research, which listed that the readiness of the prospective employees both for white collar and blue-collar jobs are concerns for the respondents. It does hamper the growth when employee only possesses a low level of qualification and as a result underperform on the job. Despite the fact that literacy rate for adults improved significantly to the 90.4%, it seems that the quality of Indonesian education institutions hasn't kept pace with the demand of the job market (Witt, Redding, 2013). When in some developed countries, vocational studies have been given opportunity as an important part of education. In Indonesia, just like several other Asian countries, the public vocational training system is weak. This may be partially related to a shared cultural notion that manual labor is a reflection of academic failure where parents steering their children away from vocational training schools (Witt, Redding, 2013).

Firms still need to hold training programs to enhance the skills of their employees, especially when it is related to the technology usage. Some firms establish a partnership with vocational senior high schools or universities to give their students a chance to have work-experience. So when these students graduate, they're ready for work. Some of the respondents actually found the lack of proper vocational trainings a shock, as their business expects to have people with the right set of skills and it is expected that when you have certain certificates and years of experience people should be ready to handle the challenges of a job.

4.3 Industrial analysis

In this section the results and instances of OO are presented. The results are structured according to the extended model of Quist (2011). To determine OO a strong change in priorities of the variables from the model of Quist (2011) are used. However being too confident about something itself is not enough to indicate OO, so only in those instances where this had a negative impact on the performance of the new established company is presented here.

4.3.1 Basic and advanced resources

Food industry (03/NL/NL/GF)

Managers - When entering the Indonesian market there is an immediate need for a skilled and loyal workforce, especially on the level of managers. So the entrepreneur expected he can assume his role as the business developer. Getting this skilled workforce is expected to be easy, given the high number of university graduates with relevant work experience, so not much extra time is dedicated to test this assumption. The expectation originates from his previous time working in Indonesia. It turns out to be hard to find employees with a strong sense of ownership, able to deliver and involve themselves in the decision-making role the entrepreneur had in mind. There is a constant need to supervise and check those managers that actually stayed with the company. The few managers that were capable of doing their job never stayed long. These issues with managers had a serious negative effect on accelerating business development and expansion, the role the entrepreneur initially had in mind for himself. In retrospect more time should have been allocated to get the right personal, with an already build up network in Indonesia pre-entry of the Indonesian market that could be trusted on giving recommendations to find the managers to fit his unique job requirements.

Oil faucets (04/NL/NL/GF)

Sales force - During set up, the founder needs a sales force able to help boost sales. The business is selling certain types of faucets for oil and gas pipelines. It's a specific product with a very specific group of prospects. His sales assistants did not live up to expectations to foster the relationship with these prospects and clients. It turned out to be tough to get the right human resources for this sales position. One needs thick skinned people, willing to go the extra mile to get the job done. The impact toward performance is not massive, as he already lowered his expectations with his sales force. The founder is not sure he was positive to get the right man for

the job that easily, as he already lived in Indonesia for more than 10 years. In his own words: *“I am always trying not to think like a Dutchman when doing business in Indonesia, as that is the only way to make you see things clearly.”* In retrospect he should have done what he does now: focus on hiring only personal that wants to go the extra miles to do their job. And also, provide training and a better salary, resulting in a growing.

Market Research (11/NL/NL/GF)

Research executives - Because one of the directors has a good relationship with student organisations in Indonesia and both directors have experience working in Indonesia 10 years earlier, it was assumed that getting and retaining junior researchers will be easy. Having good and loyal juniors will enable both directors to focus on sales and product development. As it turned out, it was very difficult to retain the talent. In the now booming Indonesian economy status associated with the job title, the company you work for and having a well-cushioned job have become prime considerations among fresh graduates in the last few years. The need to address the expectations of the current work force is something both directors failed to do. The impact on performance is apparent; as it is hard to both keep training new employees while at the same time grow the company. With hindsight the right job titles, association with big clients etc. are things that could have been address form the start, and would (at least partially) help retain talent.

Oil service support (15/NL/NL/GF)

Oil and gas engineers – There are many oil and gas engineers and several reputable universities that should be able to produce the right of graduates. And given the growing oil & gas industry, there should be enough candidates with experiences. In reality, it is hard to come by oil and gas engineers with problem-solving skills. It turns out, from experiences in the past 4 year, that only Institut Technbology Bandung (ITB) is able to produce engineers that approach the required skill set. Problems with the skill set include lack of command in English, but also they are not ready for the job to meet the expectations of founder. Even more, the problem seems experienced Indonesian engineers prefer work outside Indonesia, due to the higher salaries that are offered there. The respondent declines to make a connection between the optimistic expectations to get the right engineers and the company’s performance. However, since the company has failed to make a profit in the last for years, and this issue with the benefit of hindsight should have been address better during set up according to the respondent, OO seems likely. Despite all this, the

respondent remains positive; *“There’s an energy crisis coming in Indonesia and this energy maybe the solution. Indonesia has not developed yet market for renewable energy.”*

4.3.2 Market Demand

Horticulture-fruits (02/NL/NL/GF)

Supply chain – The respondent feels strongly about being able to produce for the Indonesian market as there are hardly local suppliers, and most imported from China or USA. This combined with his experience with successfully marketing a similar product in the Netherlands. During setup operational cost turned out to be too high, so it became very hard to compete with especially the price products from China. Also, the new company was unable satisfy the often too big orders. Looking back the company had placed itself in the wrong supply chain. As a result company performance was below expectations. Problems have been solved through switching supply chains, and becoming a supplier for Hero, which is the high-end supermarket in Indonesia. This also made it easier not to compete on price. This has resulted now in being able to focus on export to new countries in South East Asia. And also product differentiation through making fruit spread.

Bakery (05/NL/NL/GF)

Marketing and service - The respondent ‘just’ started with his plan to enter the Jakarta market for freshly baked bread. Within the first year he almost went bankrupt. The respondent feels he was right in recognising that there is a niche for his product. However, he had no experience in advertising the product, except for some word of mouth. He had not explored the best ways to enter the market. Or considered the possibility that the expatriate communities he focussed on also can just by their fresh bread from supermarkets or bake their own. Neither had he considered a pricing strategy that would fit with the demand in his niche market. His price compared to competitors is quite high, which means a lot of efforts need to be made to justify the price. Looking back he had forgone on marketing his product through a website, Facebook, and being active in spreading news his products. Now he secured a place as the supplier for the Netherlands International School, which has helped his brand. And also, home a delivery service helped him get his products to his customers throughout Jakarta.

Engineering consulting services (13/NL/NL/GF)

Market - The entrepreneur expected that he can provide consultancy services for the use of certain types of sustainable renewable energy to private businesses. He had spent only 3 months researching the market and has no prior experience in this business. It turns out that the Indonesia market, especially private businesses, is not ready for this kind of service and knows what using renewable energy means. There might be a market of sustainable renewable energy for private businesses, but it needs to be grown, it needs to be educated. The respondent had forgone to consider to investigate the opportunities and threats for this kind of services to private businesses. After a long unsuccessful period the respondent has shifted his focus to regional governments, which is more responsive to his services.

4.3.3 Related and supporting industries

There were no instances, during the setup phase that later on had a negative impact on the company performance, were entrepreneurs are overconfident of factors belonging to “Related and supporting industries”.

4.3.4 Firm strategy and structure

Horticulture-fruit (02/NL/NL/GF)

Partner – When setting up the company the respondent saw the need for a local partner. The designated job of the partner is marketing and sales. After setting up the company problems start to mount with finding the right kind of seeds for a stable production in Indonesia. Next to that, he had to take over the job of his partner as well, since the partner underperformed. Having not thoroughly investigated the abilities of his partner had a strong impact on performance of the newly started company. In the end he bought the shares of his partner, and found a new one; a partner that can also help with selecting the right kind of seeds, while giving this new partner coaching to do marketing and sales. These changes in the top management of the organisation have made cost much, eventually the company need to reach the 7th year since foundation to make a profit, much later than planned.

4.3.5 Government

There are no instances, during the setup phase that later on had a negative impact on the company performance, were entrepreneurs were overconfident with factors belonging to “Government”.

4.3.6 Threat of new entrants

In general none of the respondent interviewed seem concerned with new entrants in their specific industry. The main reason given is that the respondents feel everyone has the same possibilities and opportunities to enter market, and that’s just part of entering a new market.

4.3.7 Power of suppliers

Most respondents have similar expectations towards suppliers; they are able to deliver good support with their services or products. The problem occurs when a specific products or services produced by Indonesian suppliers are not as expected.

Service-engineering consultancy for water treatment (8/NL/NL/GF)

Quality of suppliers - Given how developed Indonesia is these days, selection of a good supplier is not considered too difficult pre setup. As it turns out, after entering the Indonesian market problems started with finding suppliers that are able to lease technology equipment (such as a ship for deep sea exploration) according to specifications. To solve this problem the new company is forced to use resources from other parts of their company and business partners in Indonesia. The founder had not anticipated that the number of suppliers in his market is so few. Also, given the importance of their organisation in the market and the close ties they have with the government they were able to lobby and ease regulations regarding the use of foreign-vessels for their specific purpose. These problems resulted in severe delays, and a slowdown in increase of the production capacity. The respondent declined to provide a cost estimate.

4.3.7 Power of buyers

There are no instances, during the setup phase that later on had a negative impact on the company performance, were entrepreneurs were overconfident related to the power of buyers.

However, most respondents have not looked much at the power of buyers. Pre setup their general feeling, for those working business-to-business, seems to be that the power of buyers is not too strong, based on the assumption that Indonesia is a growing market. After setup it, it turns out that it is not hard to approach prospects, but it is hard to be trusted enough to earn a buyer's trust. From the answers of the interviewers it is clear that the rules surrounding the relationship differ.

4.3.8 Threat of substitute

Service-Design interior (09/NL/NL/GF)

Local alternatives - Most entrepreneurs believe that their products or services are the next thing and Indonesia is ready. The interior design entrepreneur feels, pre-entry, exactly like this. After launch of the business it turned out hard to market his services and products and his designs do not immediately catch on. For his prospective customers it is one thing to like a certain luxury lifestyle, but something entirely different to actually buy it. He learnt the hard way that these people mostly prefer cheaper alternatives locally made with decent quality. It took his business quite some time to adapt to the local taste for the local styles and educated his customers on the products with the higher level of quality he produced.

4.3.9 Competitors

Market Research (03/NL/NL/GF)

Freelancers – The respondent aim to serve Indonesia, especially those national companies that are at the forefront of the economics of Indonesia. There are about 40 Indonesia market research companies in Jakarta, which leads to the conclusions that there's lots of market remains not being served. After entry in the Indonesia market it becomes apparent that not only PT 's (limited company) are active, but also freelancer market researcher. The majority of these freelancers used to work as a market researcher for well established companies such as TNS, AC Nielsen, or Synovate. After working in such companies, with build up work experiences and a network, these freelancers start to work on projects of their own. Some of these freelancers have become the trusted partners with the respondents potential clients. The problems to compete with these previously unconsidered competitors are multiple; in several cases (but not always) lower prices, an established reputation, and a long business relationships with clients and prospects. This has caused delays of months before the first Indonesian research projects are done by the

respondent. Part of the solution turned bargaining with the price, but the major change comes when the newly established company starts to build up close business relationships with top level management and show a willingness to go the extra mile.

4.3.10 Chance

Horticulture- bamboo seedlings (01/NL/BG/GF)

Location – For the production of bamboo seedlings the respondent selected an affordable area, an area with the right conditions to grow their product. The problems started for the founder in 2010, since the hilly area was nearby one of the most active volcanos in Central Java; and then it erupted. The eruption caused to stop operations for at least 3 months. The dust rain was heavy and all installation has to be closed, which lead to operational loss. The volcano is on average active every 5 years and the power of eruption is hard to predict. A solution for when future eruptions of the same magnitude happen still has to be found. Moving to another location is as of yet not given the investment need to relocate the facility.

4.4 Company analysis

4.4.1 Relationship/ networks

As one of the respondents puts it “In Indonesia a network might not necessary give you a project, but it certainly needed to be introduced to right circle of people to increase the possibility of getting a project.” In the business climate of Indonesia, the importance of business relationships cannot be overstated. Next to access to the right network, it will provide you with to the context of your market needed to survive.

Market research (11/NL/NL/GF)

Friends - The respondent is familiar with Indonesia through work several years back and friends in Indonesia, and trusted on this to start build new business in Indonesia. However, the lack a business reputation, being seen as a friend (as opposed to a business partner), heavily relaying on friends to get introduced and actual access to the relevant decision makers caused strong delay in sales. It took in the end more than a year, working on projects from outside Indonesia to build enough of a business reputation to get access to the right people in the relevant networks. And positioning themselves as the personal advisors and sparring partners to show expertise. But mostly focus on going beyond the initial network of old friends.

Engineering consulting services (13/NL/NL/GF)

Family - Similar to the previous example, the respondent heavily relied on family in Indonesian to set up business in Indonesia. In this there was no link whatsoever between his ‘network’ and his target market; resulting in his partner not being able to introduce to the right people. This had a direct impact on the sales. In a relative short period of time he started the search for other ways to enter the right networks. However, with the government as prospective market, means another way of thinking and approach need to be taking into account.

4.4.2 Education and knowledge transfer (training)

This has already been covered in 4.2.1 Basic and advanced resources.

4.4.3 Ability to work in a niche market

In general most of the respondents have positioned themselves to serve a specific niche market. In some case respondents were had trouble severing this market, and instead chose another niche. Most problems do not centre around a too lose defined niche market, but it is unclear how

to serve that market. Most instances related to the ability to work in a niche market are already covered in 4.2 Industrial analysis.

4.4.4 Ability to adjust the critical issues

Horticulture-selling bamboo (01/NL/BG/GF)

Complexity of adjusting - For the respondent the ability to adjust with critical issues became clear after experiencing several problems during the operational of the first three years. As indicated earlier, that the firm took 4 years before a stable financial position achieved. However with events, such as a natural disaster, it is still difficult struggling to achieve the product volume intended. Furthermore, the number of adjustments needed is not something the founder was prepared or considered. Another point, next to the need for adjustment of the production of bamboo, is the need for innovation as another critical issue to in the fast evolving competitor environment these; something that is actually addressed by a continuous search for the best variant of seeds and the different.

4.5 Entry mode

Based on the answers of the respondents they prefer control. In part this can be explained by the fact that a convenience sample is used. However, a model using agents or a representative office is not considered, especially as these types of business experience severe limitations because of Indonesian laws on active acquisition or sales.

The majority of the entrepreneurs opted in a very early stage for establishment for a greenfield in Indonesia. And for those few that felt they needed local expertise opted to start a greenfield with a local partner. None of the respondents made a direct connection between the institutional context, and industrial analysis on one hand and the type of entry mode on the other hand.

Because of the need for local knowledge and expertise, some respondents do link the entry mode to company analysis and opted to enter the Indonesian market with a local partner.

5 Discussion & Conclusions and Recommendations

5.1 Limitations

The main limitation is the focus study on SME, which means multinational enterprises are excluded from the research. The study focuses on the company level, which makes conclusion per sector of industry not possible. Another limitation is that the study focuses sole on Indonesia as the emerging market. There's a possibility that if the study is replicated in another country, the aspect of motivated reasoning and OO might be different, based on that country unique situation. Also, because the findings of this thesis are based on interview after setup, and respondents are requested to think about their mind-set prior entry to the Indonesian market, some inaccuracy in remembering priorities they had is possible. So there might always be differences between reality and representation of data (Fielding and Fielding, 1986).

When interpreting these results it is important to keep in mind that these results are focus on SMEs and Dutch international entrepreneurs.

5.2 Discussion & Conclusions

In every intention to expand to new market abroad there will always be uncertainty factors lingering around. By gathering information and performing careful analysis and evaluation, a decision-maker is expected to be able to decrease the uncertainty and risk factor, which then will allow them to make the best decision.

The decision-making model of Van Den Ban (2009) and Quist (2010) is based on MNE experience, and where the important decisions regarding go or no-go for market entry are made at the headquarter by using set of limited options for entry mode, which take corporate level strategies into account. The manager will act only in accordance with the best interest of the MNE, with the assumption of proper corporate governance already in place. This kind of models limits the role of the manager which if included to the model then it will be a rational acting individual.

For internationalization, with the assumption that management is acting fully rational is to simplify the complexity of variation in institutional, cultural, or market conditions. Furthermore the assumption of perfect rationality and the denial of the influence of the decision maker can

lead to models of internationalization actions that might lead to different conclusions (Aharoni et.al, 2011).

On one hand in our high-tech era, getting information has become more easy, on the other hand, much more information and data through internet, for example, has to be taken into account. To choose which information is more crucial and relevant, and how to interpret it is where the challenge lies. This is especially the case when a firm or a group of investors are entering a new market. Assumption needs to be made. Someone needs to make decisions about which piece of information matters and which one not. The uncertainty that this bring is perhaps the hardest challenges of them all.

Sense making of uncertainty will probably make a differences, it might not give the exact right answer, but at least will map and give the best possible weight under the circumstance to interpret the situation and the effect a choice will have once a company enters a market (Weick and Sutcliffe, 2005, p. 409).

To a degree all respondents have taken the aspects of institutional context, industrial analysis and company analysis into account to make sense of all the information needed to investigate the potential of entering a new market, in this case in Indonesia. Furthermore, the ideas respondents had before, during and after setup have been mostly formulate using this type of systematic thinking. However, as far as can be conclude from the sample of 15 international entrepreneurs, these aspects of institutional context, industrial analysis and company analysis have little impact on the type of entry mode. The decision on type of entry, with the exception of considering having a partner, appears to be independent of information pre-setup and limited by Indonesian laws and regulations. The level of control however seems crucial in determining the type of entry mode.

For the vast majority of factors from the institutional context, industrial analysis and company analysis some instances of motivated reasoning have occurred. Of the 20 subjects covered for institutional context, industrial analysis and company analysis around 4 instance of likely motivated reason have transpired per international entrepreneur. By no means have all of these instances results in OO.

**The Role Of Optimistic Overconfidence In A Decision-Making Framework
For Entering A New Emerging Market**

Potential gain is an important factor that has led to instances of OO. A reoccurring theme, when reviewing the results seems to be that the impressive growth Indonesian has shown in the last 10 years, appears to be that the Indonesian economic boom is so good that a venture into this market can only result in one conclusion: success.

When confronted with uncertainty, ambiguous or no reliable information this was not a reason for further investigation, but reliance on the impression that the business is very likely to succeed. Only for the third factor leading to OO, lowering of expectations, there are hardly any clear examples given by the respondents that this has led to a too optimistic assessment of opportunities that resulted in problems with company performance. However, there was one instance where a respondent ignored initial expectations that were not met, and continued nevertheless with his enterprise.

When it comes to the variable introduced by Quist in her framework, there seems no optimistic overconfidence at the institutional analysis. Despite of the changing priority that is displayed by some respondents regarding the importance of the, there's not enough evidence to see that this change in priority had any impact on the performance of on the newly established firms. One of the main reasons might be the image of Indonesia as a tough place to start up a business. And this image made the entrepreneurs to take extra precautions to understand the institution elements, especially in regards to the relationship with the government.

With the data gathered, it could not be determined that OO happened among the international entrepreneurs in respect to the institutional context.

Yet, when it comes to industrial analysis there are a couple of variables that show from the optimistic overconfidence. The potential difficulties with basic and advanced resource, specifically recruiting and retaining skilled workers and higher educated employees, is one of the main variables that have been constantly underestimated by numerous respondents. Disappointment with skill level and loyalty that could in most cases have been avoided, if not for taken for granted to access and capabilities of mostly the founders to keep them in the company. The lack of talent also hindered the planned growth as observed by several respondents.

It can be concluded from the findings that for especially 'Basic and advanced resources', 'Market Demand' OO happened among the respondents. The lack of proper research on a combination of

market demand and competitors resulted in quite a few cases in a biased perspective on the possibility of success of the upcoming product or service. Lack of research on market demand later on made the entrepreneur only focus on the prize of success, instead of the presence of competitors with an already build business relationship with prospective client. Furthermore the lack of market demand research has clouded the ability to map the threat of substitute, which not only comes from the local alternatives but also neighbouring countries.

Lack information and a small window opportunity to decide also pushed some entrepreneurs to pay little attention to the power of buyers and suppliers. It affects the quality of supply and pricing power of the new firm. One of the more unexpected instances of is related to Chance; The risk that has been taken too far by a founder of a Greenfield by disregarding the possibility of the eruption of a nearby active volcano. Not the mention the potential risk to human life. All for the gain of an affordable piece land, without considering a business continuity management plan in the likelihood that the volcano would erupt. Which it did.

In the company analysis, OO is the most apparent in relationship/networks. A couple of entrepreneurs had already connection with Indonesia, either through family, friends or both. This has made them thinking that it will be relatively easy to tap the network of friends and family as a way to open the business relationships. However, the network of friends and family is not necessary the right network for the success of the firm and its' niche market. Which in this cases, there are not; resulting in long delays in the planned sales activities.

5.3 Recommendations

Marcel Proust said that the real voyage of discovery consists not in seeking new landscapes solely, but in having new eyes. This is exactly what is needed for each entrepreneur manager during his or her search of data collection and subsequent analysis.

There is a strong urge to deselect data or information that not seem incomplete or inconvenient according the decision maker. Data or information ignored in order to make a final call. As Shane and Venkataraman (2000, p. 223) argue that "people who exploit opportunities tend to frame information more positively and then respond to these positive perceptions", the map that entrepreneur make for a new market entry, should not be seen as the final call but instead as the start of journey to understand the emerging market, the industry, and the chance of survival and glory of the new company.

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One needs to find a person or an organization that not only understands the conditions of the country that the entrepreneur likes to enter; in this case Indonesia; but also understands the industry. At the very least understand the big picture of the designated industry. Proper sense making with trusted persons or organizations with a proven capacity in that industry and how experience have first-hand about the country are needed. And at very least will be able to challenge the prior assumptions that the entrepreneur manager might have.

This study has not focused on one specific industry, as it tried to capture the possibility of motivated reasoning, and in some case resulting in OO tendencies in the decision-making process of entrepreneurs at one point in time by asking pre-entry and post entry questions. The future researcher may consider to take the time to conduct a quantitative longitudinal study by observing international entrepreneurs before entering the new market and after gather more accurate measurements.

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Appendix II: Overview respondents

Respondent number	Respondent company sector/Founder's origin	Main customer market sectors
01/NL/BG/GF	Horticulture-selling bamboo's seed/The Netherlands	Export seeds to South Africa, the Netherlands, France, Arabic countries and other countries in Asia (planning to send to China)
02/NL/NL/GF	Horticulture-fruits (berries)/The Netherlands	Export market 30% mainly to Europe and USA; Jakarta market 30%; other region of Indonesia 30%
03/NL/NL/GF	Food industry (spices)/The Netherlands	Export market >70% to Europe while <30% Indonesia market
04/NL/NL/GFI	Selling oil faucets in Indonesia market expect Java	Oil companies in Indonesia especially in Batam area
05/NL/NL/GF	Bakery/ The Netherlands	Jakarta households
06/NL/NL/GF	Service-consulting/The Netherlands	Indonesia's company who need consultancy services
07/NL/FR/GF	Service-housing agency/Indonesia French collaboration	(new) expatriates who just moved or want to find new accommodation in Jakarta
08/NL/NL/GFI	Service-engineering consultancy for water treatment/ The Netherlands	South-east Asia firms in need of water treatment technology and consultation
09/NL/NL/GF	Service-Design interior/ The Netherlands	Indonesian market especially Indonesia firms. However it doesn't close the door for any other countries nearby
10/NL/NL/GF	Service-market research/the Netherlands	Partner for European and Australia market Indonesia's firms
11/NL/NL/GF	Service-market research/the Netherlands	Partner for European market at the same time also for Indonesia's firms
12/NL/NL/GF	Engineering-support services for oil/the Netherlands	Mainly supporting the oil companies in Indonesia and other countries nearby
13/NL/NL/GF	Engineering consulting services/The Netherlands	Anyone/any institution whom need consultation in renewable energy sources especially solar energy

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14/NL/NL/GF	(Civil) engineering consulting services and management efficiency/The Netherlands	Any institution/firms that would like to do (civil) engineering project
15/NL/NL/GF	15Human resource (service)-oil service support/The Netherlands	Oil firms and its support services mainly MNC whom production is in Indonesia

Appendix III: Questionnaire

Voorstellen interviewer.

Doel interview:

- ✓ Afstudeeronderzoek IB&M aan de RuG, Nederland
 - Doelgroep: MBK in Indonesie
 - Periode: Juli & Augustus
- ✓ Anonieme resultaten zullen, indien daarvoor toestemming wordt gegeven, ook gebruikt door BOI voor publicatie in Indonesie over het opzetten van bedrijven in Indonesie

Opbouw interview

- ✓ Eerste deel: welke factoren zijn onderzocht ter voorbereiding voor het opzetten van een bedrijf in Indonesie
- ✓ Tweede deel: Evaluatie of er juist of voldoende gewicht is gegeven aan de

Basisgegevens

1. Wanneer is uw bedrijf opgericht?
2. Wat was uw functie ten tijde van de oprichting van het bedrijf?
3. Wat is uw functie binnen het bedrijf nu?
4. Hoeveel werknemers heeft uw bedrijf nu?
5. In welke industrie is uw bedrijf werkzaam?
6. Wie is uw klanten ?

Verwachtingen

vragen ten behoeve vaststellen potentiële factoren die Optimistic Overconfidence veroorzaken

7. Had u al ervaring met werk in of voor Indonesie voordat [bedrijf naam] werd opgericht?
8. Heeft u al eerder ervaring met een werken voor of in een buitenlandse markt in Indonesie?
9. Wat zijn voor u de belangrijkste maatstaven voor succes voor u persoonlijk?
10. Wat zijn voor u de belangrijkste maatstaven voor succes voor uw bedrijf?
11. Hoe zeker was u om te presteren op onderstaande factoren voordat uw bedrijf in Indonesie begon? (Schaal 0 tot 100)

	Score
Satisfactory Demand
Quality standards
Overcome Competitive Challenges
Controlled product expenses
Proceed at acceptable speed
Anders, namelijk.....

12. Kunt dit toelichten?

Indonesie

13. Kunt u, in het kort, aangeven wat de reden is voor u persoonlijk om naar Indonesie te gaan?
14. Kunt u, in het kort, aangeven wat de reden is voor uw bedrijf om naar Indonesie te gaan?

Voorbereiden analyse

15. Welke bronnen zijn geraadpleegd om informatie te verzamelen over Indonesie, de markt en het toen op te zetten bedrijf?

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De volgende vragen gaan over hoe het beslissingsproces ging voordat jullie naar Indonesie kwamen. Het gaat dus niet over de kennis die u nu heeft over Indonesie, uw industrie of uw bedrijf, maar over hoe de resultaten werden verzameld, wat belangrijk werd gevonden en hoe data werd geïnterpreteerd.

Daarna, zullen we de vragen nog een keer behandelen, maar dan vanuit uw huidige positie en kennis van de markt, het bedrijf en Indonesie.

16. Welke van de volgende drie onderwerpen zijn het meest belangrijk? (uitleg wat de onderwerpen betekenen)

	<i>Ranking vooraf</i>	<i>Ranking nu</i>
I. Industry analysis
II. Company analysis
III. Institutional context

Ranking vooraf

17. Kunt u dit toelichten?

Indien niet (amper) onderzocht:

18. Waarom is hier niet of weinig naar gekeken?

Ranking nu

Indien bepaalde aspecten wel worden genoemd:

19. Waarom worden dit aspect/deze aspecten nu wel als belangrijk gezien?

Indien verschillen in ranking vooraf en nu:

20. Wat is de reden voor deze nieuwe prioriteiten?

21. U heeft eerder aangegeven dat u veel vertrouwen heeft in [top antwoorden vraag 10 'Performance']. In hoeverre heeft dit een verandering in uw mening teweeg gebracht?

22. Welke onderdelen van **Industry analysis** zijn het meest belangrijk? (uitleg wat de onderwerpen betekenen)

	<i>Ranking vooraf</i>	<i>Ranking nu</i>
I. Basic and advanced resources
II. Market Demand
III. Related and supporting industries
IV. Firm strategy and structure
V. Government
VI. Threat of new entrants
VII. Power of suppliers
VIII. Power of buyers
IX. Threat of substitus
X. Competitors
XI. Anders, namelijk.....

Ranking vooraf

23. Kunt u dit toelichten?

Indien niet (amper) onderzocht:

24. Waarom is hier niet of weinig naar gekeken?

Ranking nu

Indien bepaalde aspecten wel worden genoemd:

25. Waarom worden dit aspect/deze aspecten nu wel als belangrijk gezien?

Indien verschillen in ranking vooraf en nu:

26. Wat is de reden voor deze nieuwe prioriteiten?

27. U heeft eerder aangegeven dat u veel vertrouwen heeft in [top antwoorden vraag 10 'Performance']. In hoeverre heeft dit een verandering in uw mening teweeg gebracht?

28. Welke onderdelen van **Company analysis** zijn het meest belangrijk? (uitleg wat de onderwerpen betekenen)

	Ranking vooraf	Ranking nu
I. Relationship/networks
II. Education and knowledge transfer (training)
III. Ability to work in a niche market
IV. Ability to adjust the critical issues
V. Anders, namelijk.....

Ranking vooraf

29. Kunt u dit toelichting?

Indien niet (amper) onderzocht:

30. Waarom is hier niet of weinig naar gekeken?

Ranking nu

Indien bepaalde aspecten wel worden genoemd:

31. Waarom worden dit aspect/deze aspecten nu wel als belangrijk gezien?

Indien verschillen in ranking vooraf en nu:

32. Wat is de reden voor deze nieuwe prioriteiten?

33. U heeft eerder aangegeven dat u veel vertrouwen heeft in [top antwoorden vraag 10 'Performance']. In hoeverre heeft dit een verandering in uw mening teweeg gebracht?

34. Welke onderdelen van **Institutional context** zijn het meest belangrijk? (uitleg wat de onderwerpen betekenen)

	Ranking vooraf	Ranking nu
I. Ownership coordination/Corporate governance
II. Interfirm relations
III. Employment relations
IV. Industrial relations
V. Training and education
VI. Anders, namelijk.....

Ranking vooraf

35. Kunt u dit toelichting?

Indien niet (amper) onderzocht:

36. Waarom is hier niet of weinig naar gekeken?

Ranking nu

Indien bepaalde aspecten wel worden genoemd:

37. Waarom worden dit aspect/deze aspecten nu wel als belangrijk gezien?

Indien verschillen in ranking vooraf en nu:

38. Wat is de reden voor deze nieuwe prioriteiten?

39. U heeft eerder aangegeven dat u veel vertrouwen heeft in [top antwoorden vraag 10 'Performance']. In hoeverre heeft dit een verandering in uw mening teweeg gebracht?

Keuze voor entrymode

40. Hoe heeft u de informatie verzameld ten behoeve van de **Industry analysis**? En hoe heeft u deze geanalyseerd?

41. Hoe heeft u de informatie verzameld ten behoeve van de **Company analysis**? En hoe heeft u deze geanalyseerd?

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42. Hoe heeft u de informatie verzameld ten behoeve van de **Institutional context**? En hoe heeft u deze geanalyseerd?
43. Welke entry mode is er gekozen voor uw bedrijf? En waarop is deze keuze gebaseerd?
44. Met de kennis van nu, zou er dezelfde keuze nog steeds dezelfde keuze voor entry mode zijn gemaakt?
45. Kunt u dat toelicht?

Tot slot

46. Zijn nog onderwerpen die niet ter sprake zijn gekomen, maar die u wel belangrijk vindt om te noemen?

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Appendix IV: Results ranking questions

Institutional analysis		Ranking (6 = no ranking)	Ownership coordination/ Corporate governance	Interfirm relations	Employment relations	Industrial relations	Training and education
Instances difference => 2			2	2	1	1	1
01/NL/BG/GF	Before		1	5	2	5	3
	After		1	5	3	2	4
	Change		0	0	-1	3	-1
02/NL/NL/GF	Before		1	5	2	3	4
	After		1	5	2	3	4
	Change		0	0	0	0	0
03/NL/NL/GF	Before		1	2	3	5	4
	After		1	5	2	4	3
	Change		0	-3	1	1	1
04/NL/NL/GF	Before		1	2	3	4	5
	After		1	2	3	4	5
	Change		0	0	0	0	0
05/NL/NL/GF	Before		1	6	4	6	3
	After		1	6	4	6	3
	Change		0	0	0	0	0
06/NL/FR/GF	Before		1	3	6	2	6
	After		1	3	6	2	6
	Change		0	0	0	0	0
07/NL/FR/GF	Before		1	3	6	2	6
	After		1	3	6	2	6
	Change		0	0	0	0	0
08/NL/NL/GF	Before		1	4	2	5	3
	After		1	4	2	5	3
	Change		0	0	0	0	0
09/NL/NL/GF	Before		6	6	6	6	6
	After		1	2	6	6	3
	Change		5	4	0	0	3
10/NL/NL/GF	Before		1	2	5	3	4
	After		1	5	4	2	3
	Change		0	-3	1	1	1
11/NL/NL/GF	Before		1	6	6	2	3
	After		1	6	6	2	3
	Change		0	0	0	0	0
12/NL/NL/GF	Before						
	After						
	Change						
13/NL/NL/GF	Before		3	6	6	1	2
	After		1	3	2	6	6
	Change		2	3	4	-5	-4
14/NL/NL/GF	Before						
	After						
	Change						
15/NL/NL/GF	Before		1	5	2	3	4
	After		4	5	1	2	3
	Change		-3	0	1	1	1

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Industry analysis		Ranking (7 = no ranking)	Basic and advanced resources	Market Demand	Related and supporting industries	Firm strategy and structure	Government	Threat of new entrants	Power of suppliers	Power of buyers	Threat of substitute	Competitors	Chance
Instances difference => 2			7	3	0	3	1	0	1	8	2	2	1
01/NL/BG/GF	Before		1	5	7	7	4	7	7	3	2	7	6
	After		1	6	7	7	3	7	7	5	4	7	2
	Change		0	-1	0	0	1	0	0	-2	-2	0	4
02/NL/NL/GF	Before		2	4	6	3	1	7	7	5	7	7	7
	After		3	2	5	1	6	7	7	4	7	7	7
	Change		-1	2	1	2	-5	0	0	1	0	0	0
03/NL/NL/GF	Before		7	3	7	4	1	7	2	7	7	6	5
	After		3	5	7	4	7	7	2	7	7	1	6
	Change		4	-2	0	0	-6	0	0	0	0	5	-1
04/NL/NL/GF	Before		4	2	7	7	3	7	1	5	7	7	7
	After		2	5	7	7	4	7	1	3	7	7	7
	Change		2	-3	0	0	-1	0	0	2	0	0	0
05/NL/NL/GF	Before		1	3	7	7	7	7	2	4	5	6	7
	After		3	1	7	4	7	7	5	7	2	6	7
	Change		-2	2	0	3	0	0	-3	-3	3	0	0
06/NL/FR/GF	Before		7	1	7	5	2	7	3	4	7	5	7
	After		7	1	7	4	3	7	5	2	7	6	7
	Change		0	0	0	1	-1	0	-2	2	0	-1	0
07/NL/FR/GF	Before		7	1	7	5	2	7	3	4	7	5	7
	After		7	1	7	4	3	7	5	2	7	6	7
	Change		0	0	0	1	-1	0	-2	2	0	-1	0
08/NL/NL/GF	Before		7	1	5	2	3	7	6	7	7	4	7
	After		7	1	4	2	5	7	3	7	7	6	7
	Change		0	0	1	0	-2	0	3	0	0	-2	0
09/NL/NL/GF	Before		3	2	7	7	2	7	1	7	7	7	7
	After		2	1	7	4	7	7	3	5	6	7	7
	Change		1	1	0	3	-5	0	-2	2	1	0	0
10/NL/NL/GF	Before		6	2	4	3	1	7	7	7	7	5	7
	After		1	2	7	4	5	7	7	3	7	7	6
	Change		5	0	-3	-1	-4	0	0	4	0	-2	1
11/NL/NL/GF	Before		7	1	7	4	2	7	7	3	5	6	7
	After		3	1	7	7	3	7	7	4	5	2	7
	Change		4	0	0	-3	-1	0	0	-1	0	4	0
12/NL/NL/GF	Before		7	3	7	7	1	7	4	7	7	2	7
	After		1	3	7	7	5	7	4	2	7	7	7
	Change		6	0	0	0	-4	0	0	5	0	-5	0
13/NL/NL/GF	Before		7	3	7	7	7	7	1	2	4	7	7
	After		7	1	7	7	5	7	2	1	4	7	7
	Change		0	2	0	0	2	0	-1	1	0	0	0
14/NL/NL/GF	Before		7	3	7	7	1	7	7	7	7	2	7
	After		1	3	7	7	4	7	7	2	5	6	7
	Change		6	0	0	0	-3	0	0	5	2	-4	0
15/NL/NL/GF	Before		4	2	6	3	1	7	5	7	7	7	7
	After		1	3	5	4	6	7	7	2	7	7	7
	Change		3	-1	1	-1	-5	0	-2	5	0	0	0

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Company analysis	Ranking (6 = no ranking)	Relationship/ networks	Education and knowledge transfer (training)	Ability to work in a niche market	Ability to adjust the critical issues
Instances difference => 2		4	1	1	1
01/NL/BG/GF	Before	3	1	2	4
	After	3	4	5	1
	Change	0	-3	-3	3
02/NL/NL/GF	Before	3	2	4	1
	After	2	3	4	5
	Change	1	-1	0	-4
03/NL/NL/GF	Before	4	1	2	3
	After	2	1	4	3
	Change	2	0	-2	0
04/NL/NL/GF	Before	1	4	2	3
	After	1	3	2	4
	Change	0	1	0	-1
05/NL/NL/GF	Before	3	2	4	1
	After	3	2	1	4
	Change	0	0	3	-3
06/NL/FR/GF	Before	1	6	3	2
	After	1	6	2	3
	Change	0	0	1	-1
07/NL/FR/GF	Before	1	6	3	2
	After	1	6	2	3
	Change	0	0	1	-1
08/NL/NL/GF	Before	1	3	2	4
	After	1	3	2	4
	Change	0	0	0	0
09/NL/NL/GF	Before	1	3	4	2
	After	1	2	3	4
	Change	0	1	1	-2
10/NL/NL/GF	Before	1	2	5	3
	After	1	5	4	2
	Change	0	-3	1	1
11/NL/NL/GF	Before	3	2	1	4
	After	1	2	3	4
	Change	2	0	-2	0
12/NL/NL/GF	Before	3	1	2	4
	After	1	3	2	4
	Change	2	-2	0	0
13/NL/NL/GF	Before	3	6	1	2
	After	1	3	2	6
	Change	2	3	-1	-4
14/NL/NL/GF	Before	1	4	2	3
	After	1	4	2	3
	Change	0	0	0	0
15/NL/NL/GF	Before	2	4	1	3
	After	1	3	2	4
	Change	1	1	-1	-1