



Fear of Failure, Financial Performance, and Entrepreneurial Well-being: Some Insights from Start-ups in an Emerging Market Economy

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Abstract. The present study investigates the effect of fear of failure on entrepreneurs' well-being in West Sumatra, Indonesia, where financial performance is expected as the mediating variable. The data were collected online from eighty-five start-up businesses that have run for 0-5 years in West Sumatra, Indonesia. The collected data were analyzed using smartPLS 3.3.9. It was found that there is no link between fear of failure and affected entrepreneurs' well-being. However, fear of failure is negatively and significantly related to financial performance, while the latter is positively and significantly related to entrepreneurs' well-being. Financial performance did not mediate the link between fear of failure and entrepreneurs' well-being.

Keywords: Fear of Failure, Financial Performance, Entrepreneurial Well-being, Start-ups, Indonesia.

1 Introduction

While the business world has faced more significant uncertainties in post-pandemic crises, we still do not know much about start-up founders' well-being. Start-ups have long been known as critical phases that must survive difficulties, and this COVID-19 pandemic crisis has made everything more difficult. More specifically, the COVID-19 pandemic has been reported to significantly affect individuals' socioeconomic and health, particularly entrepreneurs from developing countries that are less familiar with technological adoption [1]. Therefore, start-ups need to consider and evaluate psychological aspects that support their business performance during difficult times. The objective of the present study is to examine psychological aspects (fear of failure and well-being) and financial performance from the lens of start-ups in an emerging market economy: Indonesia.

Well-being represents life satisfaction and happiness [2]. The question that emerged is: What factors can lead to entrepreneurs' well-being? Is it possible that

financial performance during crises may enhance entrepreneurs' well-being? As suggested by Games and Sari (2022), entrepreneurial fear of failure may capture the essence of psychological aspects during and post-pandemic crises. Fear of failure can motivate and demotivate entrepreneurs [3]. However, it is expected that opportunity-based entrepreneurs or those who aspire to pursue high-growth businesses will see the fear of failure as motivating [4]. Consequently, we expect that even in difficult moments, start-up founders are still happy and satisfied with their lives. The present study would provide a greater understanding of this topic.

Entrepreneurship and its socio-cultural context are inseparable [5]. Start-ups from emerging market economies may have more difficulties as they have less opportunity for funding and collaboration. As suggested by Picken (2017), scalable start-ups require these two things. In addition to that, start-ups in emerging market economies such as Indonesia may have abundant business opportunities. Based on the Global Entrepreneurship Monitor 2020/2021 [7], it was found that 25 percent of adults in Indonesia know there is a good business opportunity. However, they will not start a business for fear of failing in entrepreneurship. Some developed or richer countries have higher levels of fear of failure, such as Canada (50 percent), Spain (50 percent), and Saudi Arabia (50 percent). This shows a generally optimistic view among many people in Indonesia that they will not be afraid to fail in entrepreneurship. Again, we want to examine this issue from the start-up perspective.

A start-up organization is designed to find an appropriate business model to achieve high-growth businesses. While there is a strong link between start-ups and technological innovation, start-ups also include those who have high-growth business aspirations [8]. Start-ups are considered to fail when it has failed to grow and gain profit. Therefore, start-ups need to enhance their financial performance, which in turn enhances their business performance shortly.

2 Literature Review

2.1 Fear of Failure, Performance, and Well-being

Entrepreneurs often face the fear of failure rather than suffering from actual failure [9]. During the pandemic, the most dominant fear stems from financial aspects, including the fear of running out of savings and failed investments [8]. In this regard, entrepreneurs must cope with fears and turn them into motivation to perform better [10]. Fear of failure may affect one's stability in responding to a particular issue. In this study, the COVID-19 pandemic contributes most to fear. In this regard, entrepreneurs should be adaptive to survive the fear of failure and even failure itself [1]. Individuals may exhibit at least three responses when facing a fear of failure: inhibition, motivation, and repression [11]. Morgan and Sisak (2016) pointed out that one's fear of failure may only become motivation if one sets a high standard of success. Individuals may exhibit different forms and effects of fear of failure, as it is highly affected by behaviors and psychological conditions. This study used five indicators to measure fear of failure in start-up businesses: funding sufficiency for business development, ability to fund business, financial management, savings, and investment in the business.

Well-being is one of the forms of life satisfaction and happiness [2]. Additionally, there is a link between entrepreneurial well-being and psychological well-being. The

latter has six components, as suggested by Ryff (2019): Positive relationship, autonomy, personal growth, self-acceptance, purpose in life, and environmental mastery. Entrepreneurship constitutes a potential source of personal development, growth, and well-being [13]. Shir et al. (2019) identified that fear of failure may reduce entrepreneurial well-being. In addition, some studies supported that fear of failure may negatively affect entrepreneurs' well-being [8]; Games and Sari, (2022). However, unlike traditional employees, entrepreneurs possess more flexibility and control, allowing them to gain meaningful values from their jobs that suit their aptitude and interest and be involved in autonomous task activities [2]. Accordingly, Hunter et al. (2021) suggested that the fear of failure can motivate entrepreneurs as they have the skills and capabilities necessary to anticipate the fear. However, Entrepreneurs, including start-ups that pursue high-growth businesses, naturally deal with uncertainties and are psychologically ready for that. Therefore, they may see the fear of failure as something other than a problem.

In terms of performance, the present study focuses on financial performance. As such, the COVID-19 pandemic has caused an unprecedented impact on entrepreneurship, including start-up businesses. Accordingly, start-ups may see the importance of financial performance as a way to deal with crises [1]. Financial performance includes increased sales, profit, overall business growth, low debt ratio, and satisfying financial condition [14]. As mentioned previously, fear of failure can be motivating in enhancing business performance, especially for high-growth business aspirations (Cacciotti et al., 2020; Morgan & Sisak, 2016; Hunter et al., 2021). Therefore, it is expected that start-ups in the present study see fear of failure as motivating rather than demotivating.

Based on the explanations above, we postulated some hypotheses as follows:

H1. Fear of failure is positively and significantly related to entrepreneurs' well-being

H2. Fear of failure is positively and significantly related to start-up financial performance

H3. Financial performance is positively and significantly related to entrepreneurs' well-being

H4. Financial performance mediates the relationship between fear of failure and entrepreneurs' well-being

3 Research Methodology

A quantitative approach was used in the present study. The data were respondents' responses to the online questionnaire, which was collected using a Likert scale and analyzed using Smart PLS 3.3.9. The data were analyzed using PLS-SEM. Our respondents are start-ups in West Sumatra, Indonesia, represented by eighty-five start-up businesses with the following criteria: the business is run for 0-5 years, and they have stated in our screening question that they have high-growth business aspirations in which they aspire to be scalable in five years. The scales used to measure these constructs are well-established and have had good measurement properties in prior research. As seen from Table 1, regarding the independent variable (entrepreneurial fear of failure), we use some items suggested by Cacciotti et al. (2020).

An example is: "Over the past few months, I have been afraid of not getting enough funding to move the company forward." Regarding performance, we use items sug-

gested by Rahman et al. (2016). An example of the items is: "Sales are increasing in this business." Lastly, regarding entrepreneurial well-being (dependent variable), we use some items suggested by Ryff (2019). An example of the items is "I have a sense of direction and purpose in life."

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Well-being is one of the forms of life satisfaction and happiness [2]. Additionally, there is a link between entrepreneurial well-being and psychological well-being. The latter has six components, as suggested by Ryff (2019): Positive relationship, autonomy, personal growth, self-acceptance, purpose in life, and environmental mastery. Entrepreneurship constitutes a potential source of personal development, growth, and well-being [13]. Shir et al. (2019) identified that fear of failure may reduce entrepreneurial well-being. In addition to that, some studies support that fear of failure may have a negative effect on entrepreneurs' well-being (Games et al., 2020; Games & Sari, 2022). However, unlike traditional employees, entrepreneurs possess a higher level of flexibility and control that allows them to gain more meaningful values from their jobs that suit their aptitude and interest and to be involved in autonomous task activities [2]. Accordingly, Hunter et al. (2021) suggested that the fear of failure can motivate entrepreneurs as they have the skills and capabilities necessary to anticipate the fear. However, Entrepreneurs, including start-ups that pursue high-growth businesses, naturally deal with uncertainties, and they are psychologically ready for that. Therefore, they may see the fear of failure as something other than a problem.

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Table 1. Constructs.

No	Description	Indicator	Scale	Source
1	Fear of Failure	<ul style="list-style-type: none"> • Fear of not getting enough funding to move the company forward • Fear of not being able to finance the business • Fear of running out of money • Fear of losing all of the savings • Fear of losing all investment in business 	Likert (1 to 5)	[3]
2	Performance	<ul style="list-style-type: none"> • Increased business sales • Increased profit • Overall business growth • Low debt ratio • Satisfying Financial Condition 	Likert (1 to 5)	[14]
3	Entrepreneurial well-being	<ul style="list-style-type: none"> • Purpose In life • Autonomy • Ability to express aptitude and interest • Ability to manage situations in life • Having positive relationships with others • Self-acceptance • Living an interesting life 	Likert (1 to 5)	[12]

5 Results and Discussion

We distributed 150 respondents, and eventually, we had 85 respondents (57 percent of the response rate), which is encouraging for start-up research in Indonesia. Regarding gender, 56 of them are female (67 percent). The majority of the respondents were aged between 22 and 27 years old. Seventy percent of them have three years of experience in their current businesses. Most start-ups' stages are classified as customer creation (38 percent) and construction (37 percent), indicating that our respondents are prepared for being scalable. They predominantly focus on culinary (33 percent) and fashion (29 percent).

5.1 Validity and Reliability

As shown in Table 2, the AVE value of each variable was higher than 0.50, indicating that this study has met the convergent validity. As seen in Table 5.6, the composite reliability coefficients ranged from 0.97 to 0.86. As seen in Table 2, the composite reliability coefficients ranged from 0.91 to 0.90. Therefore, reliability could be assumed in the present study. The AVE scores ranged from 0.72 to 0 and 0.64, suggesting convergent validity can be assumed for all constructs.

Table 2. The Constructs' measurement properties.

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Well-being	0.89	0.91	0.64
Fear of Failure	0.89	0.91	0.68
Performance	0.87	0.90	0.72

Source: Output SmartPLS 3.9.9 2022

An examination of the correlations between the constructs, seen in Table 3, suggested that discriminant validity can be assumed as all of the retained multiple-item constructs had acceptable measurement properties. Regarding R^2 , 15 percent of the variation in the well-being construct was explained by the predictors in this study.

Table 3. The correlations between the constructs¹

	Well-being	Fear of Failure	Performance
Well-being	0,800		
Fear of Failure	-0.287	0,822	
Performance	0,372	-0.385	0,846

Source: Output SmartPLS 3.3.9, 2022

¹ The square roots of the AVE scores are shown in bold along the main diagonal

5.2 Hypothesis Testing

Table 4. Results.

Hypothesis	Original Sample	T Statistics	Hypothesis
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H1. Fear of failure is positively and significantly related to entrepreneurs' well-being.	-0.168	1.136	Not supported
H2. Fear of failure is positively and significantly related to start-up financial performance.	-0.385	3.337	Partially Supported
H3. Financial performance is positively and significantly related to entrepreneurs' well-being	0.307	2.024	Supported
H4. Financial performance mediates the relationship between fear of failure and entrepreneurs' well-being	-0.118	1.485	Not supported

As seen in Table 4, there is no link between fear of failure and entrepreneurial well-being. This can be explained by the fact that life as an entrepreneur is highly uncertain. However, pandemic crises may have increased their awareness that their business life is unpredictable, but they can still do something about that in many ways [1]. Interestingly, fear of failure is negatively related to financial performance. This differs from previous studies from Cacciotti et al. (2020) and Morgan and Sisak (2016) that see the fear of failure as motivating for high-growth entrepreneurs. Difficult times in business may reduce risk-taking behavior, decreasing profitability and sales. Additionally, there is a strong link between financial performance. This means that start-ups in this study need sales and profitability to represent their business success. They must have 'small wins' that signify their existence as new businesses, even when dealing with difficult times.

6 Conclusion

The present study has provided some interesting findings. There is no link between fear of failure and entrepreneurial well-being, but fear of failure is negatively related to financial performance. It was found that financial performance is positively related to well-being. This means that start-ups in the present study perceived fear of failure as demotivating, which is unfortunate. Consequently, they may need to see the fear of failure from different perspectives, as difficult situations may lead to new opportunities. Our respondents also indicated their preference for small wins. This is not surprising because, as start-ups, they may be required to be scalable as soon as possible. They must balance short- and long-term perspectives as high-growth business aspiration entrepreneurs. The present study has some limitations as it has relatively small samples in a particular context: West Sumatra, Indonesia. Future research may focus on larger samples from different cultures, including non-financial performance.

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