

Chapter 14

Entrepreneurial Learning and Innovation: Building Entrepreneurial Knowledge from Career Experience for the Creation of New Ventures

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ABSTRACT

The relation between entrepreneurial learning and innovation is poorly understood – especially with respect to how entrepreneurs build up their capability to create new ventures. In this chapter we employ arguments from theories of experiential learning to examine the extent to which entrepreneurs' prior career experience is associated with entrepreneurial knowledge that can be productively used in the new venture creation process. We relate entrepreneurial knowledge to two distinct learning outcomes: the ability to (1) recognize new venture opportunities, and (2) cope with liabilities of newness. Based on analysis of data from 291 Swedish entrepreneurs, we provide novel insights into how and why entrepreneurs differ in their experientially acquired abilities in different phases of the new venture creation process.

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INTRODUCTION

The important role of entrepreneurs in bringing innovations into the economic system has been emphasized at least since the workings of Schumpeter (1934). A question that still intrigues scholars is why some individuals are more successful than others in the practice of entrepreneurship. Past research has shown that it is difficult – if not impossible – to point out a single factor that explains entrepreneurial success. The most widely acknowledged viewpoint, however, is that successful entrepreneurs have acquired relevant and valuable experiences throughout their professional careers (e.g., Minniti & Bygrave, 2001; Rae & Carswell, 2001; Shane, 2003). This experiential base in turn enables the development of personal and unique knowledge structures and insights that can be put into productive use in the new venture creation process (Politis, 2005; Corbett, 2007). Yet despite this general inference, there have been very few empirical studies that have examined the extent to which various career experiences lead to entrepreneurial knowledge that can be used in the practice of starting up and managing new innovative ventures. So far, the bulk of past research has instead primarily been concerned with examining associations between entrepreneurs' career experience and the performance of their new ventures (e.g., Cooper, Woo & Dunkelberg 1989; Brüderl, Preisendorfer & Ziegler 1992; Reuber & Fischer 1993; Butt & Khan 1996). The focus in past research has thus primarily been on firm-level outcomes, while learning outcomes among individual entrepreneurs on the other hand have been largely neglected.

Scholars with an interest in learning and knowledge accumulation in entrepreneurial contexts have recently started to explore individual-level learning outcomes (e.g., Harrison & Leitch, 2008). The main argument emphasized for doing this is that previous studies have made great inferential leaps from career experiences directly to firm performance, without any attention to the

intermediate learning processes that link inputs to outputs (Reuber & Fischer, 1999; Minniti & Bygrave, 2001; Corbett, 2005; Politis, 2005). Although convenient, such an approach treats the important issues of knowledge accumulation in entrepreneurial contexts as a “black box” and thus overlooks both the sources and outcomes of entrepreneurial learning. As a result, there is hitherto limited scholarly understanding of how enterprising individuals can build up their ability to spot and seize opportunities for entrepreneurial profit throughout their professional careers.

A change in focus towards individual-level learning outcomes, however, necessitates a distinction between ‘experience’ on the one side and ‘knowledge’ on the other. One way to distinguish between the two is to follow Reuber, Dyke and Fischer (1990) and consider ‘experience’ as a direct observation of, or participation in, events – while the practical wisdom resulting from what an individual has encountered represents the ‘knowledge’ derived from this particular experience (see also Kolb, 1984). If we accept this, then a relevant question is to what extent there is an association between particular career experiences and the acquisition and development of valuable knowledge that can be put into productive use in the process of new venture creation. Prior studies are unfortunately of little help to answer this question. The two concepts ‘experience’ and ‘knowledge’ have instead most often been used interchangeably with an implicit assumption that entrepreneurs' prior career experience automatically leads to entrepreneurial knowledge. Whether this implicit assumption bears some (or any) truth is however an empirical question and something which up to date has received very limited empirical attention despite its relevance for both theory and practice.

Based on the discussion above, the purpose of this chapter is to examine the extent to which entrepreneurs' prior career experience is associated with entrepreneurial knowledge that can be put into productive use in the process of new venture creation. In the study we treat entrepreneurial

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