

Learning from past experience: Footnotes on mindfulness and habitual entrepreneurship

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Abstract

Although scholars have long recognized that failure is endemic to entrepreneurial activity, they have implicitly argued that prior entrepreneurial experience positively affects opportunity discovery and opportunity exploitation. In contrast, I argue that the degree of mindfulness with which entrepreneurs use prior experience can both help and harm their ability to discover and exploit opportunities. I draw on several literatures, including studies of habitual entrepreneurship, behavioral learning theory, and theories of mindfulness, to develop a framework that yields insights about how, when and why habitual entrepreneurs' use of past experience might improve the performance of their new ventures.

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1. Introduction

Is an entrepreneur's performance helped or harmed when he or she exploits past experience? Most research on organizational experience is consistent with behavioral learning theory, which argues that organizations learn from experience (Greve, 2003; Cyert & March, 1963; March & Simon, 1958). This research has adopted a learning-curve perspective, which hypothesizes positive returns to experience (Argote, 1999). Within manufacturing settings, for instance, this perspective argues that an increase in manufacturing experience will lower unit costs (Yelle, 1979).

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Yet although experience may spill over from one activity to another (Nerkar & Roberts, 2004; Match & Mowrey, 1998), the returns from exploiting experience may be more complicated and difficult to predict in other settings. In the context of acquisitions, Haleblan and Finkelstein (1999) found the returns from using organizational experience depend on the similarity between past acquisitions and the present one, suggesting that past experience may not always be relevant.

Further, organizations might sometimes improve their performance by disregarding their past experience. Haas and Hansen (2005) found sales teams derived different levels of value from the electronic documents and advice they obtained from colleagues. Highly experienced teams were more likely than inexperienced teams to lose sales bids if they used such knowledge. These results suggest that competitive performance depends not so much on how much decision makers know but on how they use what they know.

This paper asks: “What strategies do entrepreneurs use to make prior entrepreneurial experience positively affect subsequent entrepreneurial activities such as opportunity discovery and exploitation?” To address this question, I combine literature on habitual entrepreneurship, organizational learning, and mindfulness. Mindfulness is the quality of collective attention that enables entrepreneurs to minimize errors, remain vigilant, and respond effectively to unexpected events. But to grasp the role of mindfulness in organizations “it is important to recognize that awareness is more than simply an issue of ‘the way in which scarce attention is allocated’ (March, 1994, p. 10). Mindfulness is as much about the quality of attention as it is about conservation of attention. It is as much about what people do with what they notice as about the activity of noticing itself” (Weick, Sutcliffe & Obstfeld, 1999, p. 90). Mindfulness and the enriched awareness it generates helps organizations to notice more issues, process these issues with care, and detect and respond to early signs of trouble. Most new firms fail (Saravathy & Menon, 2004; Schollhammer, 1991, p. 15), largely because they face many unexpected events. As a result, I argue that mindfulness can sometimes enable habitual entrepreneurs to better anticipate and respond to unexpected events and opportunities and to use their prior entrepreneurial experience to successfully exploit opportunities.

Building on recent papers on learning at the intraorganizational (Argote & Ophir, 2002), organizational (Schulz, 2002) and interorganizational (Ingram, 2002) levels of analysis, I argue that to understand how experience harms and/or helps habitual entrepreneurs, a more fine-grained view of experience is needed. The value of prior experience depends less on its similarity to current activity than it does on the dimensions of similarity that are most important. For example, is experience in the industry more (or less) important than experience with the technology used? Moreover, I argue that we need to consider whether the degree of mindfulness with which prior experience is used helps and/or harms habitual entrepreneurs to discover and exploit opportunities. For example, I predict that more mindful use of prior experience in habitual entrepreneurship is important if the venture, industry, and/or technology are dynamic, ill-structured, ambiguous, and unpredictable. In less complex situations, mindfulness is less necessary and mindlessness is more appropriate (Weick & Sutcliffe, 2001, pp. 87–88). As Levinthal and Rerup (2005) argue, however, mindful extensions of prior experience in complex situation might not guarantee success.

Yet a habitual entrepreneur cannot simply choose to be mindful. If all entrepreneurs could switch instantly to mindfulness, and if mindfulness improved entrepreneurial performance, then all entrepreneurs would be mindful. Mindfulness unravels. It varies over

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