LEARNING FROM EXPERIENCE IN THE SMALL BUSINESS:
POTENTIAL PITFALLS IN THE PROCESS

How do small business owners learn from experience? Using a cognitive framework, we examine potential impediments to the experiential learning process of small business owner/managers. Supplementing this theory-building exercise, we present illustrative cases and suggest propositions for testing the framework, and perhaps increasing the efficiency of experiential learning among small business owners.

It is often said that learning is a key source of sustainable competitive advantage for business organizations (Crossan, Lane & White, 1999; Easterby-Smith, 1997). Organizations exist in a complex, information-dense and constantly changing environment, and their capability to learn is crucial for adaptation, long-term survival and success. Much scholarly attention on organizational learning has focussed on large firms, but in recent years, the learning that occurs in small, entrepreneurial firms has increasingly been studied (Cope & Watts, 2000; Deakins & Freel, 1998; Rae, 2000).

There are a variety of ways in which owner/operators of a small business may learn. Learning may occur in formal education programs that pre-date the entrepreneurial venture. They may learn in continuing education and training programs specifically targeted to owner/managers of SMEs, or in “tailor-made” learning sessions developed by consultants or other professional advisors. On the other hand, it is frequently noted that much of the small business owner’s learning does not happen in the formal settings of educational, government or professional institutions. Many small business owners appear to distrust or even scorn formal programs and professional advisors, preferring to rely on their own skills, knowledge and intelligence in running their firms (Curran, Jarvis, Blackburn & Black, 1993; Gibb, 1997; Zinger, Blanco, Zanibbi & Mount, 1996). Rather, learning comes from doing — participating in day-to-day activities in the “school of hard knocks.” In other words, learning is informal and experiential. Deakins & Freel’s (1998) case studies also demonstrate that entrepreneurial learning is largely experiential. Sullivan (2000), too, reports empirical evidence that 95% of a sample of entrepreneurs commented that the most influential part of their learning was past experience, 61% reported learning from colleagues and 54% reported “self-learning.”

This apparent preference for experiential learning makes it an important area of study. In this paper, we seek to improve our theoretical understanding of how experiential learning occurs in the small business. We first examine the learning environment of the owner-manager in a small firm, and then we draw on frameworks from organizational learning and cognitive theory to understand the challenges inherent in learning from experiences in this environment. Our ideas about these challenges are heavily informed by the critique of learning from experience described by Feldman (1984), a cognitive theorist. In addition, conversations with a sample of six entrepreneurs allowed us to add real-life illustrations, and thus to enrich our theory-building efforts. This sample, which includes two manufacturers of industrial products, one retailer, one provider of personal services, one food manufacturer and one owner in the communications
industry, is in no way meant to be representative of all small business owners. Moreover, since we propose to build an explanation for the cognitive pitfalls of experiential learning, we explicitly focussed on learning situations that are problematic for the owners. Thus we tried to choose a sample that would be most instructive, as opposed to most representative (Stake, 1994; Yin, 1994). A final caveat -- the information from our interviews is obviously anecdotal and not meant as a scientific test of hypotheses. Our hope is that an eventual understanding of the pitfalls will suggest ways to minimize their impact, thus improving the effectiveness of experiential learning.

First we shall describe the learning experiences of the small business owner in terms of their content, what must be learned, and the context in which this learning occurs. This sets the stage for the discussion of process that is at the core of this paper.

Content and Context of Small Business Owners’ Learning

There have been various attempts to describe and categorise the domain of problems that small businesses face, and the concepts they must learn in order to solve these problems. Many of these classification schemes are based on a life-cycle approach to firm growth (Churchill & Lewis, 1983; Greiner, 1972). The life-cycle approach presumes that organizations go through various phases of development, each of which presents a new set of problems that the executive must learn to solve. Thus Terpstra & Olson (1993) present a comprehensive list of the problems experienced by new and growing businesses. They found that nine types of problems were characteristic of the first year in business (in decreasing order of frequency): 1) sales/marketing; 2) obtaining external financing; 3) internal financial management; 4) general management; 5) product development; 6) human resource management; 7) production/operations management; 8) economic environment; and 9) regulatory environment. Later in the firm’s life cycle, the same problems were experienced, though with different frequencies, notably a relative increase in the frequency of human resource problems, general management problems and regulatory environment problems. In addition, problems related to organizational structure/design emerged as the organization grew.

Deakins & Freel (1998) also use a life-cycle perspective to discuss the critical factors that successful entrepreneurs learned from their experiences as owner-managers. The factors include: Learning to network in their sector; the ability to assimilate experience and act on opportunities; the ability to reflect on past mistakes; the ability to access resources; and learning how to add members to the entrepreneurial team and create the right mix of competencies.

Classification schemes like the Terpstra & Olson (1993) study (see also Cowan, 1990; Kazanjian, 1988; Rae, 2000; Sullivan, 2000) and factors emerging from Deakins & Freel’s (1998) research focus primarily on the content of learning. It is also instructive to consider the context in which the learning takes place. A small firm exists in a complex and changeable environment. Entrepreneurs (and their typically small staff) must acquire the broad range of expertise described above, and deploy it flexibly, as needed. Owner and staff tend to work long hours as they establish ways of operating. In consequence, there is a high level of interdependence, informal, oral communication, and frequently, a team-based style and need for trust.

The outcomes of complexity are not always positive. In large firms, other managers and staff act as information filters for the executive, however the small business owner, wearer of many hats, has minimal if any information filters. Information overload can create problems. Floren (2003) notes that small business owners “stuck in the ‘operational buzz’ of their enterprises have a troublesome learning situation” (page 206). They lack the time and resources
to reflect on their experiences, and so they cannot develop the abstract generalizations that comprise learning. As a solo executive, the owner has few or no peers who can act as sounding boards, and this inhibits learning. Furthermore, it is often important for the owner to maintain a “professional face” to others both inside and outside the firm. Subordinates may refrain from offering input or criticism to a powerful boss whose management style often implies: “It’s my company, and I’ll do what I want.” These social-role issues create difficulties for effective learning (Floren, 2003). Emotional factors must also be considered. The entrepreneur’s life can be a lonely one—responsibility for the livelihood of employees and family members may weigh on the owner’s shoulders. Mistakes can be expensive, and the spectre of losing face or going bankrupt is ever-present (Cope & Watts, 2000; Deakins, O’Neill & Mileham, 2000).

In sum, the broadly ranging content of what needs to be learned, and the context that is characterized by information overload and emotional strain are the backdrop against which the process of experiential learning can be examined. We might infer from the foregoing discussion of content and context that an infallible learning process is not likely. A review of the literature shows us that few researchers have examined this process in the small business domain. Recent research has commented on the dearth of published work that details the process of entrepreneurial learning (Gibb, 1997; Rae, 2000).

Learning as a Process

Other researchers have proposed that the content of experiential learning be differentiated from the process. Reuber & Fischer (1999) point out that we may investigate experiential learning either as something that owners possess, or as an ongoing activity that owners engage in. The first approach looks at the individual’s history, for example, tenure in the current firm, length of experience in a particular industry, previous ownership of a small firm, and so on. Reuber & Fischer (1999) conceptualize this view as a “stock” of experience. The process of learning is exogenous to the approach—it has already occurred. The second way of investigating experiential learning focuses on particular events and explains their impact on the owner and the firm. In this case, learning is an outcome of a “stream” of experience (Reuber & Fischer, 1999). The learning process is endogenous to this approach. Obviously, the things learned from the stream of experience are then added to the stock, but the authors argue that it is only by studying the stream that we can really understand how experience leads to specific outcomes for small firms. Our discussion of process parallels the “stream” approach; we consider individual events, routine and non-routine, with which the owner must cope and from which learning is possible.

Crossan, Lane and White (1999) do use a dynamic, process approach, albeit in the context of large firms. They discuss the 4I’s of learning: Intuiting involves recognition of patterns in the stream of experience; Interpreting occurs when people use words or actions to explain the insight to themselves or others; Integrating is a group process in which understandings are shared; Institutionalizing is the process of turning learning into a set of routine actions or established systems embedded in the organization. They illustrate these learning processes in the story of Apple Computer (which, of course, started out as a small entrepreneurial firm, but with time became very large).

In another paper that explicitly examines the learning process, Mitchell (1997) calls for a de-mystification of how entrepreneurs learn to be successful. He uses an information-processing approach to describe the development of “expert scripts” among successful entrepreneurs. A script is a sequence of events developed through experience. Entrepreneurial scripts reflect the expert entrepreneur’s understanding of the steps one takes to achieves success and avoid or deal
with failure. Twenty-three expert entrepreneurs volunteered oral histories of their careers, and Mitchell concludes that successful entrepreneurship is not mysterious, but achievable by “the many who have sufficient discipline to learn and abide by the tried-and-true norms of the venturing expert script (pg 14 of 17; electronic version).”

A third paper that presented empirical evidence related to the process of learning (Cope & Watts, 2000) describes how “critical incidents” that entrepreneurs experience may result in learning. These critical incidents are linked to stages of growth in the firm’s life cycle that force the owner to reflect on experience to try to comprehend present problems and predict future problems. It is this learning from crises that will allow the owner to move successfully from one phase of growth to another (Greiner, 1972). In Cope & Watts’ (2000) six case histories, small business owners reflected on traumatic periods they had experienced during start-up and subsequent periods of growth. The very stress they experienced led to “higher-level learning,” that is, learning that resulted in fundamental personal change, caused them to question their established ways of behaving, and altered their underlying assumptions and values. The authors also suggest a link between the stressfulness of the experience and the entrepreneurs’ causal attributions. When incidents were very traumatic, entrepreneurs appeared more likely to attribute these incidents to their own actions.

**Does Experience Always Result in Learning?**

Authors who study entrepreneurial learning always ask their informants to discuss what they have learned. They usually assume that individual learning is a natural outcome of experience. We now return to our earlier point that the diverse content of what must be learned and the complexities of the small business context may pose problems for the process. The closer we look at the learning process, the more it seems that there must be a large number of experiences from which business owners do not learn. Failure to learn is a shadow that hovers behind several of the learning-process explanations. Crossan et al (1999) caution that future research is needed to understand “the mechanisms that enhance or restrict the stocks and flows of learning” (pg 535, our emphasis). Cope & Watts (2000) suggest that entrepreneurs may need assistance to “step back” from current events and engage in higher-level learning. Even Mitchell’s (1997) assertion that entrepreneurial success is not mysterious, but potentially accessible to those with the “discipline to learn” implies that some may not have the discipline, and so may not learn from experience. Finally Deakins & Freel (1998) note in passing that: “A priori we might contend that such a [learning] process, for the small firm entrepreneur, will be imperfect. However we would expect there to be some form of learning process in the reaction to business problems.... The more imperfect this process is, the greater the probability of small firm failure” (pg 6 of 18, electronic version). If we question the assumption that experience always leads to learning, it behooves us to develop an explanation of possible failures to learn. We ground this explanation in basic psychological theories of cognition and learning.

**Cognitive Pitfalls in Learning from Experience**

At base, learning occurs in two forms: first, an association may be formed between two stimuli, such as when the business owner learns that a particular time of year, say January, is associated with depressed sales. The other basic form of learning is when a stimulus is followed by a certain outcome, such as when the business owner learns that giving a discount to a dissatisfied customer leads to customer satisfaction and repeat purchases. These fundamental learning processes are conceptually simple, but a variety of individual and environmental
conditions conspire to make it difficult actually to learn from experience (Feldman, 1984). The limits to human cognitive processes, and the complexity of the environment may cause us to overlook or misinterpret important cues. Drawing on Feldman’s (1984) review, we develop four cognitive pitfalls that affect the accuracy with which small business owners learn from experience. These pitfalls are: 1) People often do not recognize that there is a need to learn; 2) People see what they expect to see; 3) People discount evidence that contradicts their beliefs; and 4) People see vivid events as causal.

People often do not recognize that there is a need to learn. First, if learning is to occur, business owners generally must recognize that they need to learn, that is, that there are errors in their current beliefs. This is not always simple. For example, a business owner may have an incorrect belief that he will get better service from a large (as opposed to a small) supplier. Because he has chosen to use a large supplier, and the service he gets is adequate for his needs, he might never learn that service could be even better with a smaller supplier. Having made his choice, he has, in effect, blocked information about the outcomes of choosing a different supplier. Thus he keeps the illusion that his belief is valid. In general, any action chosen necessarily limits the owner’s experience of alternative scenarios — the road not taken — and thus is a potential barrier to learning.

We encountered an example of non-recognition of the need to learn when we interviewed an entrepreneur in the communications industry. His was a micro-enterprise that had been in business for about five years, with one employee and annual revenue under $30,000. In fact the owner’s financial position was quite precarious; he failed to collect from his debtors, and he was constantly fending off his creditors. After five years in business, there was still a constant battle to make ends meet, to become organized and to have a complete set of business records. Despite five years of financial difficulties, this business owner seemed muddled about distinctions between his salary, the profits from his enterprise, and his domestic finances. One would have expected that his experiences would have taught this owner how to be systematic in his management of the firm’s resources, and that the business and his household were two separate entities. He had recently hired an accountant and he noted: “that was a big accomplishment for me.” Referring to his field of work he said, “This is really hard work, ugly work.... but it is exciting.” He saw his struggle for financial survival as an integral part of the business, an aspect of his “art” which, though of great social value, was “essentially a money-losing proposition.” Presumably his ability to feed and house himself during the preceding years, and his illusion that financial problems were natural, blocked him from learning the financial and cash-management basics.

Another one of our interviewees was in metalworking, and his business had average revenues of $80-90,000. The business had been operating for over 20 years, and it was not his only source of income. He clearly was quite satisfied with his business activities (“I strive and I thrive,” he stated). This entrepreneur was convinced that many of the failures in the small business sector were the result of incompetent accountants. In his view, accountants did not understand the day-to-day problems of the small business environment or the pressures of trying to conform to the demands of government. It turned out that he had chosen an accountant who did not specialize in his business size or sector and who was unfamiliar with the legal and tax regulations pertaining to his business. He seemed to be managing adequately despite the “half-assed accountants” and this, perhaps, is what prevented him from learning that a more appropriate selection of accountant may have served his business better.

Social factors may also get in the way of learning from experience. A business owner may encounter very little dissent in his environment. Since he is free to choose, he will tend to
select partners or employees who think the same way he does. The resulting cohesive group reinforces his beliefs and may diminish awareness of the need to learn. In other cases, employees may be reluctant to give unwelcome news to a powerful boss, so she never gets the feedback that would lead her to learn that her views are incorrect.

One of our respondents, for example, was an owner of a machine-components manufacturing business with about 40 employees and sales of over three million dollars. He was generally viewed as very successful in the region where his business was located — one of the largest employers. He saw himself as a humane and benevolent employer who bent over backwards for his staff. He reported that he gave his employees full latitude to give him both negative and positive feedback; they should not be afraid to voice their opinions. He spoke of offering training and generous rewards. Yet it was clear to us as interviewers that unwelcome comments at his firm were harshly dealt with. He complained about disloyalty, jealousy and employees talking behind his back, and described his actions in crushing a possible union drive, ultimatums he had issued, and his threats to fire various employees. This owner did not seem to recognize the asymmetry of the power distribution between himself and his employees. At several points during the interview, he expressed firm opinions about what was right and what was wrong in running a business and invariably, his was the right method. He told us that he had delegated some responsibility, but got “shot in the back” and had to retake control. It turned out that one of his key managers had been actively sabotaging his efforts to achieve international quality certification. Interestingly, no one reported the managers’ actions to him for quite some time. We surmise that other employees may have avoided giving him unwelcome news. In brief, although this owner described many human resource and motivational problems during the course of the interview, it appeared that he had not yet recognized his need to learn people-management skills. It is possible that his financial success, and the status he held in his region, blocked him from learning that he still had much to learn.

We see what we expect to see. The illusion that learning is not necessary may be strengthened because of expectancy effects. Let us take the case of an entrepreneur who believes that bank managers discriminate against women seeking business loans. Her expectancy might affect her approach to the banker, a hostile or defensive stance, a lack of preparation (“What’s the point anyway, I’m going to be turned down”) or simply avoiding the bank and getting start-up funds from family members and friends. Her resultant failure to get a bank loan confirms her initial belief — a self-fulfilling prophecy.

Expectancy effects are also well illustrated by an entrepreneur in retailing. This business was doing about $500,000 in sales per annum and employed three persons. After being turned down for a loan, he concluded that this was racial discrimination on the part of the bank manager. As a consequence, he deliberately controlled the growth of the business in such a way that he would never be dependent on a bank loan. His behaviour was decidedly aggressive towards bank managers. “The bank managers, we fight all the time. I have no respect for bank managers. They don’t finance my business. I tell them exactly how I feel about them and what I think about them.” We can imagine that this combative approach decreases the likelihood of friendly relations with bankers, confirming his (perhaps erroneous) belief that they are practising racial discrimination. His refusal to deal with banks as lenders, slowed his business growth and allowed competitors to enter the market. Despite ten years of experience, he has not learned the usefulness of leverage, and he has blocked himself from the experience of managing a larger number of employees within a more sophisticated and professional management structure. His learning is stunted in this area because of his self-fulfilling prophecy regarding banks.
Expectancies also tend to resist change because of attentional biases. People focus their attention on evidence that confirms their expectations, even when disconfirming evidence is available. These attentional biases appear to be automatic — disconfirming cases are simply less accessible in memory. In consequence, incorrect beliefs remain unchanged. The ease with which the machine-components entrepreneur could recall incidents of employee disloyalty was likely rooted in attentional bias. Because these experiences are more memorable, his generalization that no employee can be trusted and that “they are just there for the pay cheque” is resistant to change.

Another belief this same owner shared with us was that family members should be kept away from the activities of the business. He declared that passing one’s business on to a son or daughter is unlikely to lead to continued business success. He was easily able to name many contemporaries on the local business scene whose firms had foundered when their children took the reins. Because of his expectations, it might have been much more difficult for him to recall existing cases of successful transition to offspring, though such successes are equally numerous and well known. Thus he remained ambivalent to the ambitions of his son to follow him in the business.

We discount evidence that contradicts our beliefs. Even when disconfirming evidence is made salient, the processes of attribution tend to discount it and preserve the original belief. Learning does not occur since the “exception” is discounted and seen to be unrepresentative. At another point of the interview with the machine-components manufacturer, he started recalling some good performance on the part of his son, but then discounted the experience, predicting that the young man would soon “take four steps backwards.”

The owner of the metalworking firm provided another example. He recently had been refused a small business loan. He was puzzled and annoyed about this rejection of his loan application, especially since over the years, he had had four mortgages ranging between $130,000 and $150,000, all of which had been paid promptly and completely. What he had learned from this experience was that banks are unfriendly to small business. It emerged, however, that he owed $400 and $300 on two credit cards, which he kept “for cases of emergency.” These cards had credit limits of $2000. He had, on several recent occasions, not bothered to pay the minimum monthly amounts required by the issuer of the cards; in his view the amounts were so small that it was not worth the trouble. In our conversation, he admitted that the unpaid credit cards had come up at his interview at the bank, but discounted this aspect of his credit history as significant. It seemed absurd to him that such small amounts owing could be the cause of a rejected business loan application when the four, much larger, repaid mortgages were a part of his file. His belief appeared to be that large loan repayments are what the banks look at — small amounts owed are not relevant. Despite his experiences, he has not developed accurate learning about how banks use credit records, and the importance of recent events in a person’s credit history. Rather, he discounts credit history as a cause, preferring to attribute the refusal to his firm size, and sticking with his belief that “Again, the small man gets the pinch.”

Another of our informants was a personal-care specialist who had established her business four years previously. She was convinced that many of her competitors lack discipline regarding time-management, punctuality and opening hours, and believed that her careful attention to punctuality was one of two major sources of competitive advantage (the other was her pricing strategy). As evidence, she described the lax behaviour of two small firms in her neighbourhood. Later in the conversation, however, she mentioned two other personal-care business owners whose time-management skills were excellent. These two new cases were disconfirming evidence, but they seemed to have little impact on her basic belief; the punctual owners were discounted as exceptions to the rule. While we cannot counter her belief with
statistical evidence of how time-management skills are distributed among owners of small personal-care firms, we wonder whether punctuality is truly as rare as she believes.

**We see vivid events as causal.** Finally even when business owners recognize the need to learn, they may end up learning the wrong things. The natural complexity of the business environment means that the connections between actions and outcomes are probabilistic rather than law-like. Uncertain, uncontrollable factors, and the occurrence of multiple, simultaneous causes in the environment make it difficult to determine exactly what actions cause what outcomes. Often it is the salient stimulus, the vivid event or the attractive myth that catches one’s attention, and that is incorrectly seen as causal, leading to illusory correlations. The attentional biases discussed earlier make people focus on this evidence, drawing general, but incorrect conclusions about cause and effect.

An example of an attractive myth is the belief that certain ethnic groups are very successful because members of their own ethnic community are loyal to their own ethnic businesses, preferring to patronize their own kind rather than outsiders. The vividness to others of intra-ethnic links and in-group “cliques” makes it seem like an important cause of success. People generally do not recognize that, for a community to prosper, it must have business interactions with others outside the community. Ghettoes are a limit to business growth and a disincentive to efficiency. In-group loyalty is unlikely to be a long-term cause of business success. One of our interviewees mentioned this causal myth, opining that “money must remain in the circle.” He had owned various companies over a twenty-year period, specializing in food manufacture and service. He complained that many people of his own ethnic background did not seem to understand that “the dollar turns in the community.” His causal assumption became clear when he added: “We are afraid of making one another rich.” In his 20 years of business experiences, the in-group dynamics of other communities were salient to him as causes of their success, though it is very likely that this causal link is illusory.

The personal-care business owner mentioned earlier spoke of another entrepreneur whom she considered to be very successful, and she had noted that one of the marketing tactics this other owner used was the “dollars-off” coupon. Was this promotion truly a causal factor in the other entrepreneur’s sales? Maybe, or maybe not; in any case the owner concluded that a similar promotion would also be a good way to expand her own business. This could have been a reasonable decision, but she had earlier reported a pricing strategy that she considered to be a major aspect of her competitive advantage: Her prices were set at about 50% above that of her competitors. She focussed on providing high-quality, individualized, “luxury” service. The owner was explicit in her aim for a target market that was willing to pay more for quality, and declared that her customers were not focussed on getting the cheapest deal. This approach to pricing was not consistent with a dollar-off-coupon strategy, and most likely undermined the corporate image she was trying to achieve. It is possible that her attention to the business activities of her role model, and the causal conclusion she had drawn from his use of coupons may been dysfunctional learning for her, leading to inconsistency within her marketing strategy.

**Implications for Business Owners’ Learning**

We begin this section with two cautions. First, our preceding discussion is not meant to imply that learning by experience is useless to the small businessperson. Accurate beliefs about the business environment, however acquired, are crucial to small firm success, and people in general and small business owners in particular, place great value on learning from experience. Since we can predict that there will be systematic inaccuracies in experiential learning, efforts to
minimize errors in the learning process are made more worthwhile by the very fact that this form of learning is so widely valued. Second, we emphatically do not equate cognitive errors with lack of intelligence on the part of the business owner. Human beings possess extraordinary skills at understanding and imposing order on their world. It is, in fact, because of these cognitive skills, and use of heuristics to organize experience efficiently, that the cognitive errors occur (Nisbett & Ross, 1980).

With these cautions in mind, we move to discuss strategies for diminishing the cognitive errors described above. We need to find ways to correct the misinterpretations that occur, as one author puts it, “lifting the veils we’ve placed between ourselves and reality” (Cell, 1984, pg 177). These strategies tend to fall into three main categories: 1) We can encourage more awareness, reflection and careful self-examination on the part of individuals to reduce cognitive biases; 2) We can encourage involvement with others who may help reduce inaccuracies in the learning process; 3) We can formalize the learning environment such that errors are minimized (Cell, 1984; Evans, 1989). Let us deal with each of these corrective strategies in turn.

**Awareness and self-reflection.** Cell (1984) suggests that people improve their experiential learning when they use their experiences to test or trouble-shoot what they have learned in the past. Cell refers to this deliberate questioning strategy as “active experiencing” as opposed to “passive experiencing.” The strategy requires listing beliefs, then revisiting the experiences that gave rise to the beliefs as specific occurrences, not general truths. So, for example, “Bankers are unsympathetic to small business owners” becomes “Branch Manager Smith at First Commercial Bank rejected my loan application.” Specification allows the owner to recognize that many choices (other managers, other banks) are still open. A second reflective technique is to try to experience the familiar as though for the first time, to repress habitual responses and perceive events with fresh eyes. Journal keeping to record and reflect on events is one method to achieve this receptiveness (Cell, 1984).

There is an obvious and major limitation to this approach. Even if listing beliefs and keeping journals of one’s experiences were useful ways to avoid learning errors, these techniques are unlikely to appeal to busy owner managers. Moreover the cognitive pitfalls are “natural” errors, and we are unconscious of making them. Many cognitive theorists would argue that awareness of biases in reasoning does not help people to avoid them (Evans, 1989), and that improving experiential learning cannot just be a question of urging people to try harder. We note the possibility, however, that certain people are predisposed to view experiences more receptively than others. The personality characteristic “openness to experience,” which is one of the Big Five, stable personality traits, comes to mind as a possible individual difference in learning processes. We therefore pose the following research proposition related to awareness and reflection as a factor in experiential learning: *Owners who score high on the personality variable “openness to experience” might be more effective at experiential learning than others who score low on openness to experience.*

**Involving others in the learning process.** This is perhaps the solution that most readily comes to mind. If the owner discusses business experiences and the process of learning from them with some trusted other, it is possible that this other person may be able to redirect the owner’s attention, highlight disconfirming evidence, present alternative expectations and attributions, and so on. Some recent scholarly work seems to be taking this approach. Sullivan (2000) and Cope & Watts (2000) have explored the critical role that can be played by mentors and coaches in helping the owner to learn from experience. Their research suggests that “just in time” support from a mentor can encourage reflection and so improve the process of learning. Similarly Floren (2003) proposes that groups of business owners who learn collaboratively will
be more effective learners from experience than solo learners. Exchanges among collaborative
groups could introduce new perspectives, redirect attention and help people to “unlearn” old
beliefs. In the same vein, Deakins, O’Neill & Mileham (2000) have studied the use of external
directors who might play a similar role in helping the owners’ learning process. We believe that
more of this type of research should be pursued. Increased emphasis on exactly how the other
person interacts with the owner will be important. In particular, do they interact in a way that
would mitigate the attentional and expectancy biases we have explored here? Sullivan (2000)
makes an interesting comment in this regard when affirms that mentors who are themselves
entrepreneurs may be “activist” advisors — likely to present full-blown solutions to the owners.
This may make them less effective coaches than people who simply encourage owners to
confront, challenge and reflect on their own experiences. We end with the following propositions:
Owners who have access on an ongoing basis to a mentor, coach, advisor, peer network or other
“sounding board” will be more successful at experiential learning than those owners who do not.
Further, the nature of the interactions and the type of relationship developed will be an important
predictor of improved experiential learning.

**Formalizing the task.** There is a history in cognitive science of using expert systems,
usually computer programs, to simulate and aid human reasoning (Evans, 1989). These programs
formalize the learning process, allowing computers to play chess, diagnose illnesses and even do
psychotherapy. The complex and ill-defined domains of most applied fields pose an ongoing
challenge to developing these programs, and few people believe that expert systems will ever
replace human beings, but there is great scope for their use in providing support for human
decision makers. In the small business domain, computer programs already exist that aid in the
development of the business plan. Computer-aided systems incorporate the content of learning
needed by the small business owner: Sales/marketing, financing & financial management, human
resource planning, etc. To improve the learning process, however, we must go beyond fill-in-the-
blanks software that produces a plan for a neophyte entrepreneur. For each category of content,
the software could explicitly direct the user to examine his or her relevant personal experiences.
Users would input elements of their experiences that could form the basis of analysis; the system
could present questions, information about common erroneous assumptions, and even
hypothetical scenarios, all with the goal of provoking business owners to reflect on their beliefs
and “brainstorm” interpretations of their experiences. If the system were able to direct owners’
attention in new ways, and challenge their expectancies and attributions, more accurate mental
models would be developed. The outcome would still be a business plan, but the important focus
would be the process of planning as opposed to the end result of the exercise. Ad hoc decisions
and development of the business by chance would then be replaced with learning by design, but
learning that is still closely linked to the entrepreneurs’ own experiences. Thus business planning
computer programs must be enriched to incorporate owners’ experience. Our final proposition
follows: Owners who have access to enriched business planning computer systems will improve
the effectiveness of their experiential learning.

**Conclusion**

We believe there is great promise for research on the experiential learning process.
Methodological challenges remain, however. The learning process is ephemeral; articulation of
learning process is difficult for entrepreneurs (Cope & Watts, 2000); ongoing relationships
between business owners and their advisors are usually not amenable to scrutiny; and measuring
of the dependent variable, effective experiential learning, will be a demanding task. On the other
hand, small business owners’ almost exclusive reliance on experiential learning is unlikely to
change. In view of the many pitfalls associated with the process of learning from experience, we
must rise to the methodological challenge and improve our understanding of this ubiquitous phenomenon.

References


