



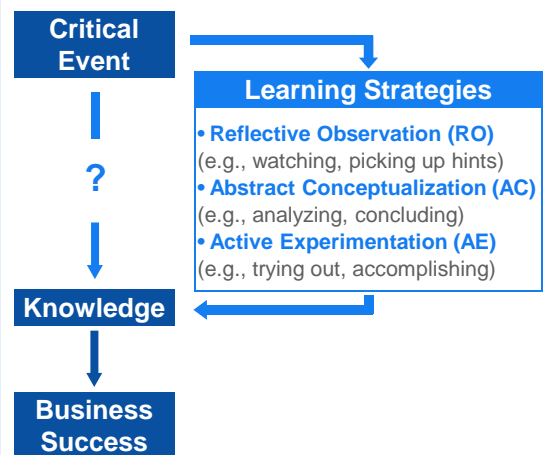
# Turning Experiences into Knowledge and Success: the Role of Learning Strategies

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## Theory

- “The ability of entrepreneurs to maximize knowledge as a result of experiencing [...] learning events will determine how successful their firm eventually becomes” (Deakins & Freel, 1998, p. 153).
- Scholars agree that learning exerts a strong influence because a well-defined knowledge base determines the quality of entrepreneurs’ actions (Frese, 2007) and it is the basis for entrepreneurial judgments and decisions (Mitchell et al., 2002).
- In entrepreneurship, learning from experience is the predominant mode of learning (Cope & Watts, 2000; Deakins & Freel, 1998; Rae & Carswell, 2000).
- Unresolved issue: *How* do entrepreneurs actually learn from experience?
- Based on Kolb’s theory of experiential learning (Kolb, 1984), we investigate business owners’ learning strategies as responses to critical events. Following a concrete experience, owners may engage in the learning strategies of reflective observation (RO), abstract conceptualization (AC), and active experimentation (AE).
- Hypothesis 1: The learning strategies are positively related to knowledge.
- Hypothesis 2: Knowledge mediates the relationship between learning strategies and business success



## Method

- Sample: n = 90 business owners (Cape Town, South Africa)
- Measurements:
  - Learning Strategies: Rating of participants’ response to two critical incidents (decreasing customer base, poorly performing employees; ICC: .95 - .97).
  - Knowledge ( $\alpha = .75$ ): declarative knowledge (20 multiple-choice items), procedural knowledge (situational interview, 3 items;  $\alpha = .96$ ), knowledge structure (free-sorting task).
  - Business Success ( $\alpha = .68$ ): Development between 2000 and 2003 of sales, profit, customers, employees as well as capital invested.



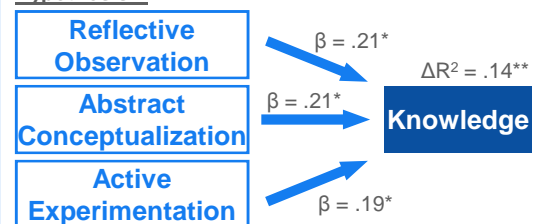
## Results

1. Hierarchical regression analysis: The three learning strategies of RO ( $\beta = .21^*$ ), AC ( $\beta = .21^*$ ), and AE ( $\beta = .19^*$ ) independently contributed to knowledge over and above the control variables ( $\Delta R^2 = .14^{**}$ ).
2. Path model: Knowledge mediated the relationship between the sum of learning strategies and business success ( $\text{Chi}^2 = 2.96$ , RMSEA = 0.0, CFI = 1.00, SRMR = 0.044).

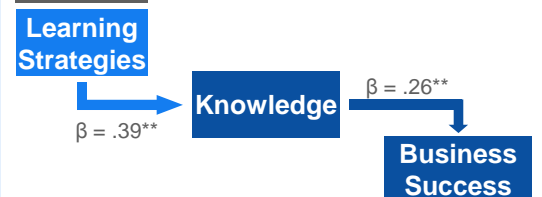
## Discussion

- Learning strategies derived from Experiential Learning Theory (Kolb, 1984) offer a promising starting-point for investigating how business owners transform experience into knowledge.
- Business owners that perform more learning strategies have more knowledge and more knowledge is positively related to business success.
- Practical implications
  - Highlight importance of learning for business success.
  - Critical events (failures as well as successes; cf. Ellis et al., 2006) are an opportunity to learn.
  - Appropriately process critical events by performing learning strategies of reflective observation, abstract conceptualization, and active experimentation.

### Hypothesis 1



### Hypothesis 2



References:  
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