How Experience Shapes the Thinking of International Entrepreneurs

Extended Abstract

Introduction

This paper draws on cognitive learning theory in order to investigate the mechanisms through which experience shapes the content of thinking (cognitive schema) of international entrepreneurs[1]. In this paper, entrepreneurs' cognitive schemas are defined as the list of factors through which the individual has come to understand the internationalisation of her firm based on the lived experiences to date. The content of entrepreneurs' thinking is the result of accumulated stocks of experience (e.g. Reuber and Fischer, 1999). In turn, entrepreneurial experience forms the basis of entrepreneurial thinking surrounding the internationalisation of their firms, shaping future internationalisation decisions (Oviatt and McDougall, 2005). Thus, in order to understand how future decisions may be framed, it is important to understand how previous experiences shape the entrepreneur's current thinking surrounding internationalisation.

Received literature has established that experience is a key driver in the internationalisation of firms (Johanson and Vahlne, 1977, 1990; McDougall et al., 1994; Bloodgood et al., 1996). The focus has been on the types of experience that drive internationalisation (e.g. Eriksson and Chetty, 2003; Chetty et al., 2006) and on the content of experiential and vicarious learning (Fletcher and Harris, 2012) at firm level. To add to and complement this literature, we argue for a focus on 'how' entrepreneurs learn from experience at the individual level. A focus on the 'how' of individual-level experiential learning stems from the assumptions that individuals do not learn in equal measure from each experience (e.g. Schacter, 2008). The focus on the individual level stems from scholarly arguments that experiential learning and

[1] In this paper, we use the term 'international entrepreneur', 'owner manager' and 'firm leader' interchangeably to refer to the principal leader of the internationalizing firm.

resultant knowledge exist at the individual level before it is shared at firm level through a complex system of exchanges (Felin and Hesterly, 2007). Hence we ask *"what determines which experiences will be retained in the minds of international entrepreneurs*?".

Background literature

There is a strong focus on learning in the internationalisation of firms, including the role of experiential learning. Scholars have drawn on organisational learning theory, which highlights experience is the primary source for acquiring new knowledge (Huber, 1991). This can be a result of intentional systematic efforts, but it is more frequently acquired unintentionally or unsystematically by operating in the marketplace, whereby people learn from the outcomes of past decisions and apply that knowledge to present decisions (Aharoni, 1966; Aharoni et al., 2011; Cyert & March, 1963). Drawing from the learning perspective, internationalisation scholars posit that direct international experience facilitates the acquisition of tacit *market knowledge* about foreign markets, (Johanson and Vahlne, 1977) which reduces the perceived risk of further internationalisation. Firms acquire *general internationalisation knowledge* from accumulated experience gained from operating in the international environment, (Eriksson *et al*. 1997), it is neither specific to country or mode of entry. It is firm specific, for example may include a particular firm's "way of going international" (Eriksson *et al*., 1997, p345). But it has been found that international experience accumulated across countries is not always useful to subsequent internationalisation (Barkema *et al.*, 1996). Fletcher and Harris (2012) propose that different kinds of knowledge are sourced from different types of experience. Furthermore, the effectiveness of learning depends on the relevance of specific experiences (Delios and Henisz, 2003; Perkins, 2014). Research suggests that firms learn from experience a set of "simple rules" heuristics and that entrepreneurs can become cognitively sophisticated over time (Bingham and Eisenhardt, 2011). Taken together, this body of literature has emphasised the usefulness of certain types of experience to the

internationalising firm as well as the strategic rules of thumb that firms learn through experience. Less, however, is known about how the leader of the firm learns from individual experiences during the process of internationalisation, before these are shared and become a firm level construct and before she develops a set of simple rules leading to strategic approaches to internationalisation (Jones and Casulli, 2013).

Methodology

In order to address the question of how experience shapes the cognitive schema content of international entrepreneurs, we proceed as follows. We purposefully select 8 international entrepreneurs with a range of depth and breath of industry and internationalisation experiences (based on Patton, 1990). Each of the individuals involved in this study is the principal decision maker in the internationalisation of their firm at the time of data collection. For each respondent, we draw on multiple sources of evidence. Firstly, we draw on information on our respondent's educational and experiential background as well as the key internationalisation milestones of their firms to date. This information is provided by Scottish Enterprise, the national Economic Development Agency, which account manages the organisations owned and managed by the study participants. We then conduct semi-structured interviews to collect more experience on their professional background as well as elicit respondents' accounts of the internationalisation of their firms to date. Based on this information, we compile an experiential profile of the study participants.

We return to each participant six months after the initial interview to further clarify some of the accounts given (e.g. probe further on their recollection of events). Because of the retrospective nature of these accounts, we do not expect recollections to be complete and accurate. Rather, we expect that recollections will be biased towards those experiences that remained more vivid in the mind of the international entrepreneur (based on Schacter, 2008, Cope, 2011).

On a third occasion, we visit our participants one final time in order to elicit their cognitive schema content related to the internationalisation of their firm by means of repertory grid technique (Easterby-Smith et al., 1996, based on Kelly, 1955).

Findings and Intended Contributions

Findings show that the cognitive schema content of firm leaders surrounding the theme of internationalisation can be traced back to either highly critical events or events broadly linked to the types of experience that entrepreneurs have. In the latter case, cognitive schema items offer a more nuanced understanding of what was learned from experience than the general notions conveyed by type and lengths of experience. In the former case, the findings beg an explanation as to why critical events are retained. To this end, we propose that the notion of emotional valence in memory formation is brought to bear in the literature on international entrepreneurial learning from experience (Schacter, 2008). That is, events that carry a strongly negative or positive valence, as resulting from emotional arousal at the time of the event, are retained more than events with a neutral valence.

Taken together, our findings offer a more multifaceted appreciation of the role of experience in the internationalisation of small firms by showing the links between specific features of experiences and the formation of cognitive schemas in the firm leader. Our work builds upon previous scholarly understanding on how entrepreneurial stocks of experience are accumulated through streams of experience (Reuber and Fischer, 1999).

Equally, our work shows that experiential learning is selective, in that not all experiential memories will be retained. Rather, only those memories with strong emotional valence are likely to form the basis of entrepreneurial thinking in future internationalisation. To this end, we argue for a focus on entrepreneurial thinking based on selective memory

formation in the scholarly discussion on entrepreneurial experience and its role in internationalisation.

We also propose that repertory grid technique is a more precise and efficient way for practitioners to appraise the cognitive schema content of international entrepreneurs. Leaders of smaller firms are often supported by economic development agencies in their international growth through the use of dedicated programmes or mentoring schemes (e.g. Scottish Enterprise's Global Companies International Strategy programme). As part of those support programmes, consultants and/or economic development agencies need to appraise how firm leaders evaluate international growth opportunities, what they focus on and where the "blind spots" (e.g. Zaiac and Bazerman, 1991) are. Whereas it is known that past experience shapes the future outlook of international entrepreneurs (e.g. Jones and Casulli, 2013). Our work demonstrates that the cognitive schema content of the entrepreneur offers a far more comprehensive and detailed picture of their frame of reference. The use of repertory grid technique to appraise the latter is recommended for the simplicity of its use combined with its potential to surface entrepreneurial thinking surrounding internationalization in a (based on Cassell et al., 2000).

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