

# The Mind of the Entrepreneur: How Successful Entrepreneurs Learn

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This paper sheds light on entrepreneurial learning and makes a call for action. The statistics show the importance of entrepreneurial organizations to every nation's economic success. To foster this success, it is imperative that all parties involved help entrepreneurs learn how to successfully learn and grow. In this sense, the implications of these findings are significant. For academic institutions, it is imperative not only to teach the functional skills necessary for effective entrepreneurial activity, but also to prepare students to become more effective in their role as 'lifelong learners'. Younger entrepreneurs need to be conditioned to understand the key dimensions of on-the-job and informal learning if they are to achieve and maintain success.

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**E**ntrepreneurial activity is vital to the health of any country and the vast majority of entrepreneurial organizations start as small businesses which are the engines of economic growth (Ireland and Webb, 2007). Today, entrepreneurship is one of the most popular topics in business literature and a wide range of research is underway in virtually every dimension of entrepreneurship to explore what is needed for successful entrepreneurial launches, proper capitalization, market penetration, and rapid ramp-up (Kim and Miner, 2007). Research makes it very clear that entrepreneurs have certain traits and characteristics that are associated with their

vocation, such as a propensity for risk-taking, high levels of creativity and innovation, a strong desire for autonomy, and disregard for bureaucracy (Barringer and Ireland, 2010).

It is interesting to note that while research on the functional skills, talents, and behaviors of entrepreneurs is well documented, our understanding of successful entrepreneurial learning is still in its infancy (Dermot, 2012). Amidst all these efforts to better understand what it takes for entrepreneurial success, there is a research gap on how entrepreneurs learn and develop as their organizations grow and mature. More specifically, the question is, *How do*

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*entrepreneurs learn and develop as they face the various challenges associated with the business cycles of their organization?*

The purpose of this paper is to explore and describe the learning and development challenges experienced by successful entrepreneurs as their organizations grow and mature. Greiner (1972) and others have suggested that the demands placed on business leaders change as their organizations move through the business life cycle of startup, high growth, continued growth, maturity, and decline or redevelopment. That is to say, these changing demands require different skills and talents to produce desired organizational outcomes. The goal of this research was to identify the common learning challenges and themes successful entrepreneurs share in their quest to grow their enterprises and the lessons learned in this regard.

### **Entrepreneurial Learning**

Senge (1990) has pointed out that all organizations and their leaders, regardless of size, structure, and industry, require an effective learning capability if they are to succeed in a complex, competitive, and rapidly changing global marketplace. The recent research in the entrepreneurial arena highlights the importance of entrepreneurs, not just learning how to adjust to the changing needs of their organization, but doing so quickly (Dermot, 2012). In addition, Warren (2004) has reported that if entrepreneurial enterprises are to survive, grow, and thrive, it is imperative that their leaders possess the ability to learn from a wide variety of both formal and informal sources. A quote from the research of Smilor (1997) illustrates that point:

Effective entrepreneurs are exceptional learners. They learn from everything. They learn from customers, suppliers, and especially competitors. They learn from

employees and associates. They learn from other entrepreneurs. They learn from experience. They learn by doing. They learn from what works and, more importantly, from what doesn't work (p. 344).

In this regard, entrepreneurial learning tends to be action-oriented, and it is speculated that learning occurs through experience and discovery (Rae, 2000; and Pittaway and Cope, 2007). Researchers have also proposed that entrepreneurs learn through doing and reflection, including learning by copying, learning by experimentation, learning by problem-solving and opportunity-taking, and learning from mistakes (Politis, 2005). In addition, some suggested that overcoming difficulties and problems have been identified as fundamental to how entrepreneurs learn, while major setbacks and sporadic critical events have been shown to be potential catalysts for learning (Minniti and Bygrave, 2001; and Pittaway and Cope, 2007). Finally, some believe that entrepreneurs not only learn through their own experiences but also by observing others' behaviors and actions and the consequences from those behaviors and actions (Holcomb *et al.*, 2009).

All these studies point to the need for an expanded understanding of entrepreneurial learning that was best stated by Deakins (1996) as his thoughts live on in the 21<sup>st</sup> century:

We do not understand how entrepreneurs learn, yet it is accepted that there is a learning experience from merely establishing a new enterprise. The learning process that is involved in business and enterprise development is poorly understood, yet programs have been devised and interventions are made in business development... There is now a need for refocusing research away from the emphasis on picking successful

entrepreneurs or picking winners, to identifying key issues in the learning and development processes of entrepreneurship (pp. 21-22).

In this regard, we will identify the key issues and processes of entrepreneurial learning and development from the perspective of established and successful entrepreneurs.

## Methodology

The participants in this study were the entrepreneurial founders of their organizations whose enterprises had sustained growth and profitability for at least five years prior to this study. The sample was made up of entrepreneurs from diverse business sectors, including manufacturing, human resource consulting, finance, engineering, specialty retail, and heavy construction. The sample included ten males ranging in age from 49 to 64, with an average age of 56 and an average of 19 years of entrepreneurial experience. Eight of the ten had college degrees; five had Bachelor degrees; two had Master's degrees; and one had a Doctoral degree.

Since this study sought to identify the specific learning challenges of entrepreneurs, a descriptive ethnographic methodology was employed. Data was collected by conducting two semi-structured interviews with each participant. The initial interview was face-to-face, followed by a phone interview. The participant interviews were conducted using a general interview guide approach (Patton, 2002). This approach involved developing an outline of questions prior to the interview that focused on the learning challenges associated with starting and growing their business ventures. The guide allowed free conversation within a topic area, while ensuring all questions were adequately covered. Each participant was initially interviewed using the same interview

guide. The follow-up phone interview allowed for the opportunity to validate and verify the information from the first interview. It also allowed for additional questions to aid in focusing on central themes. These experiences were then compared and contrasted with the experiences of other entrepreneurs, and interpreted to identify similarities and patterns in their learning experiences.

## Our Observations on How Entrepreneurs Learn

"There is no question that if I am not learning and taking the steps to ensure that I am learning, there's a real good chance that I will fail in the next step of my business's growth pattern... This is a very sobering thought!"

– An Entrepreneur's Observation

Now let us share our observations on how entrepreneurs learn based on the in-depth analysis of the learning experiences of the successful entrepreneurs who participated in this study.

**Observation #1: Successful entrepreneurs must be humble and honest enough with themselves to realize that they do not possess all of the requisite talents for ongoing success.**

Entrepreneurs are often seen as confident, 'can-do' types of people who have great vision, passion, determination, and a willingness to either find a way or make a way to get things done as they launch and grow their businesses. The successful entrepreneurs who participated in this study stated that they needed to temper this confidence with the stark realization that they did not possess all of the talent and skills that it would take to make their organizations successful in both the short- and long-term. These entrepreneurs were quick to admit that while they were smart, driven, and passionate individuals, they needed to know themselves

and understand what they were good at doing and what they were not good at doing. This required humility, honesty, and self-awareness. Finding themselves in possession of a 'skills gap' was not the problem, the real problem was being unwilling to admit that a skills gap exists at any given point in time and to take the necessary steps to ensure that this skills gap did not damage their ability to make wise and effective decisions. Our participants were quick to admit that this is an ongoing challenge as their businesses become more successful and move through the business life cycle.

**Lesson Learned:** For entrepreneurs to be successful and maintain success throughout the business life cycle, they must be willing to keep their egos in check and listen, learn, and surround themselves with people who are knowledgeable to fill in the entrepreneurs' talent gaps that inevitably arise.

**Observation #2: The skill sets of successful entrepreneurs must evolve and develop quickly to match the changing demands of their growing ventures.**

As entrepreneurs steer their organization through the various phases of growth, they are faced with challenges that require different skill sets. Successful entrepreneurs are able to realize that building and maintaining a successful organization requires skills that they may not possess at any given point in the business life cycle. They might be a functional genius or technical expert, but there is a very good chance that they will lack a critical and needed skill at some point. The skills required during startup are not necessarily the skills that are required later on. Successful entrepreneurs must anticipate this and have a plan in place to acquire these skills themselves or bring on people with the required skill sets. Entrepreneurs must know themselves well enough to fully understand how they learn on an individual basis and how this

process must be accelerated as their businesses grow. When entrepreneurs stagnate or they do not take proactive steps to quickly expand their talents, their businesses will suffer.

**Lesson Learned:** Successful entrepreneurs realize that they must never stop learning and acquiring new skills/knowledge and as their businesses grow they must develop methods that allow them to learn rapidly.

**Observation #3: Successful entrepreneurs learn via trial and error on the job while leading their ventures.**

According to the entrepreneurs in this study, no startup venture happens without significant setbacks, and growth rarely, if ever, occurs without organizational growing pains. Our participants provided multiple examples where they had made mistakes that hurt their organizations in a wide variety of ways. Several things were important to these entrepreneurs in this regard. First, mistakes are inevitable when you are trying to create something new or take an enterprise to the next level. So entrepreneurs had to learn how not to get too angry with themselves for decisions they had made. Second, these entrepreneurs agreed that it is imperative not to make the same mistake a second time. Rather, it was imperative to learn from the mistake. Finally, since many of these entrepreneurs were engaging in business and leadership activities that were outside their current skill set, they frequently were unaware of what they were lacking. This fact made it imperative that they carefully think through decisions, surround themselves with talented people, and learn to draw lessons that allow them to build on their previous experiences.

**Lesson Learned:** Failure for an entrepreneur is not making a mistake; failure is not learning from the mistake and allowing a mistake to develop into a habit.

**Observation #4: Crises can cause rapid personal and organizational learning for successful entrepreneurs.**

Throughout the growth of their businesses, our entrepreneurs stated that they faced various crises rising from their lack of experience, poor personnel decisions, ineffective planning, financial difficulties, and sales and marketing meltdowns and operational blowups, among others. In other cases, crises emerged from forces outside their control such as the economy, competition, customer decision making, new government regulations, and raw material shortages and the like. Whether a crisis is caused by the organization itself or by factors beyond its control, these entrepreneurs made it clear that handling the crisis was their responsibility and an opportunity for powerful and accelerated learning. As is true in most crises, great learning can take place when a leader is properly focused and working hard to solve these significant problems. Our participants stated that through these critical events, entrepreneurs can learn to better process information, acquire additional industry-based knowledge, adjust strategy quickly, draw upon the collective wisdom of their business associates, and make better decisions. While our participants were quick to admit that no one wanted to find themselves in a crisis, they were equally quick to admit that crises have the potential to galvanize organizational action and provide rapid and even life-changing learning opportunities for all parties concerned.

**Lesson Learned:** Surviving a crisis provides entrepreneurs an opportunity to learn more things more quickly than might otherwise be the case and emerge from the crisis as stronger leaders.

**Observation #5: Entrepreneurs recognized that their success in one phase of the entrepreneurial cycle could cause them**

**to become overly confident causing a host of potential problems.**

Entrepreneurs understand that a lot of hard work and effort is required to get their business off the ground. However, the entrepreneurs in this study stated that success early in the startup and high-growth phases of the business life cycle had the potential of causing them to become somewhat overconfident going into the next phase of their business. Our participants stated that this overconfidence manifested itself in such negative behaviors as unwillingness to listen to others, unwillingness to delegate authority, engaging in behaviors that had worked when their businesses were smaller, and failing to take into account that their businesses had outgrown their leadership talent. In the end, our participants stated that it frequently took a major problem or a crisis or a personal confrontation to provide them with a reminder that confidence is a good thing but when taken to an extreme it gets in the way of entrepreneurial learning and development.

**Lesson Learned:** Successful entrepreneurs work hard to avoid the trap of allowing their current success to lead to overconfidence that will reduce the likelihood of future success.

**Observation #6: Successful entrepreneurs listen and respond to feedback from a wide variety of sources for ongoing entrepreneurial learning and organizational growth.**

Our participating entrepreneurs made it clear that they must understand the importance of what other people tell them concerning their venture, whether good or bad. This feedback can come from customers, mentors, peers, employees, financial institutions, and friends. Our participants made it clear that they must be listening and acting on this information if they are to move their organizations forward. Virtually,

every participating entrepreneur stated that it was easy to find themselves being so busy that they became unaware of problems that were taking place around them or unaware of business opportunities that were presenting themselves. Successful entrepreneurs made it clear that they must seek out feedback from a wide variety of sources and they must act on that information. The importance of seeking out sources of accurate information, listening to those sources, and acting on this information was paramount in the minds of our participants. Even though it may seem to the entrepreneur that they are 'on their own' and have to figure out everything themselves, there are actually many resources available to them, they simply need to seek them out.

**Lesson Learned:** Successful entrepreneurs understand the importance of feedback and surrounding themselves with a wide variety of information sources that will keep them apprised around the issues that impact their business.

**Observation #7: Successful entrepreneurs realize the necessity of taking time for ongoing self-reflection and assessment.**

One of the most interesting observations that we would make about the entrepreneurs in this study dealt with the issue of taking time to think. Successful entrepreneurs credit periods of "stepping back and analyzing what was happening," "reflecting on what was going on around them," "assessing what was coming next," and "evaluating how things were actually going," as the major reasons why they avoided many poor or potentially damaging decisions as their venture grew. Growth and problems can happen quickly and if entrepreneurs do not spend time analyzing what is really going on, they may find themselves making decisions with incomplete information or understanding that will come back to haunt them at a later point in time. Our sample spent a great deal of time talking about the importance

of reflecting on where their organizations were at present, where their organizations were going, and how they were going to get there. Our participants made it clear that without this 'thinking time' mistakes, problems, shortcomings, and bad habits can easily creep into any entrepreneurial organization making growth and even survival more difficult.

**Lesson Learned:** Successful entrepreneurs schedule regular time to think and reflect about how to make their businesses and themselves more effective.

**Observation #8: Successful entrepreneurs must learn that they 'outgrow' processes, procedures, and advisors and must be willing to let go of the past.**

Participants in our study talked about the difficulties associated with 'letting go' of the people, practices, procedures, and processes that were critical in an earlier part of the business life cycle. Entrepreneurs work hard to make their businesses perform at a high level; when this high level of performance produces growth, this growth can place great strain on the organization's existing way of doing business (Greiner 1972). Our participants shared numerous accounts of how they had to painfully learn to move beyond 'past ways' of doing business so that their enterprises could achieve higher levels of growth. Entrepreneurs discussed the fact that pain was frequently associated with letting go of previous approaches to business in order to put the organization in a better position for future growth. As an entrepreneurial business grows, so must the processes and resources needed to propel that growth and that entrepreneurs need to be able to make adjustments that will support future growth.

**Lesson Learned:** The people and processes that help an entrepreneur get to one level of performance might not be the same that will

drive the entrepreneur to the next level of performance.

**Observation #9: Successful entrepreneurs realize that they must surround themselves with talented people from whom they can learn.**

Most successful entrepreneurs are quick to point out that they would not be where they are today if it were not for an important group of people around them. Successful entrepreneurs almost always have strong legal and accounting advisors who play a critical role in the startup and growth of their enterprise. Successful entrepreneurs are quick to hire the very best talent that they can afford and leverage that talent to the benefit of their organization and themselves. Successful entrepreneurs seek out strong personal advisors and mentors who can help them navigate through the various challenges associated with starting and growing a business. Successful entrepreneurs know that without the input, console, guidance, and accountability of people around them, their chances for success are greatly diminished.

**Lesson Learned:** Successful entrepreneurs must develop the interpersonal and emotional intelligence skills necessary to surround themselves with people that have the talent and strength of character to help them perform at an optimal level.

**Observation #10: Successful entrepreneurs must learn from the host of ongoing intrapersonal trials, tribulations, and challenges they face in launching and growing their businesses.**

Discussions with entrepreneurs about their enterprises are always very stimulating, passionate, and energized. Entrepreneurs are quick to point out that starting and growing their business is frequently described as a 'love affair', 'an all-consuming experience', 'a labor of love', 'craziness', and 'insanity', among other colorful things. These

comments are illustrated by the fact that entrepreneurs must face and learn from some very difficult realities that confront them along the road to success. Participants in this study made it clear that being an entrepreneur can be characterized by fear, uncertainty and doubt, and tremendous financial pressure. In addition, they admitted to experiencing high levels of stress, lack of work-life balance, and excessive workloads and working hours. Participants were quick to point out that these trials and tribulations placed great pressure on interpersonal relationships, marriages, and parenting relationships. The participants in our study were also quick to point out that all of these challenges provided powerful learning opportunities if they were properly addressed. However, if these challenges were not properly addressed they created a myriad of additional problems and potential tribulations for the entrepreneur. Therefore, all entrepreneurs must find ways to cope with all of the stresses that come with starting and growing a business if their goal is to have true long-term value.

**Lesson Learned:** Entrepreneurs must temper their passion for their business with the realities of taking care of themselves and their families for true long-term success.

When taken all together, these ten observations make it clear that successful entrepreneurs learn by doing, learn by thinking and reflecting, learn from others, and learn from dealing with difficult and challenging times. Finally, it is important to point out that a majority of learning and development factors discussed in these interviews were informal and on-the-job learning in nature rather than from more formal educational or pedagogical experiences.

### **A Call for Action**

This paper sheds light on entrepreneurial learning and demands a call for action. The statistics show

### Exhibit 1: An Assessment of Key Entrepreneurial Learning Dimensions

**Instructions:** Take time to read each statement and assess your effectiveness on each of the key entrepreneurial learning dimensions identified in this research. Any dimension that receives a score of less than 3 is an opportunity for performance improvement for any entrepreneur interested in taking their performance to the next level.

Ineffective = 1    Somewhat Effective = 2    Effective = 3    Highly Effective = 4

#### **How effective are you at...**

1. Keeping your ego in check and realizing that you do not possess all of the talent and answers necessary for success? \_\_\_\_\_
2. Rapidly developing the necessary talent to alleviate your skills gaps? \_\_\_\_\_
3. Learning from your mistakes? \_\_\_\_\_
4. Using crises as opportunities for both personal and organizational learning? \_\_\_\_\_
5. Recognizing that your success can cause overconfidence? \_\_\_\_\_
6. Seeking out, listening and responding to feedback from a wide variety of sources on an ongoing basis? \_\_\_\_\_
7. Taking time for ongoing self-reflection and self-assessment? \_\_\_\_\_
8. Demonstrating the ability to let go of past ways of doing business that are no longer effective? \_\_\_\_\_
9. Surrounding yourself with talented people from whom you can learn? \_\_\_\_\_
10. Working hard to address the intrapersonal trials, tribulations, and challenges you face in running your business? \_\_\_\_\_

the importance of entrepreneurial organizations to every nation's economic success. To foster this success, it is imperative that all parties involved help entrepreneurs learn how to successfully learn and grow. In this sense, the implications of these findings are significant. For academic institutions, it is imperative to not only teach the functional skills necessary for effective entrepreneurial activity, but is also important to prepare students to become more effective in their role as 'lifelong learners'. Younger entrepreneurs need to be conditioned to understand the key dimensions of on-the-job and informal learning if they are to achieve and maintain success.

For financial institutions, it is imperative that they assess the degree to which the entrepreneur or entrepreneurs engaged in an

enterprise take their personal learning and development seriously. Our findings make it clear that the successful entrepreneurs in this study identified a number of challenges that can prevent or stimulate learning, which lending institutions might explore to assess the 'risk factors' of the leaders of a given entrepreneurial undertaking. If the entrepreneurs in question demonstrate out-of-control egos, an unwillingness to address skill gaps, overconfidence, a reluctance to learn from previous failures, an inability to handle crises, an unwillingness to listen to others, failing to take time for self-reflection and self-assessment, failing to surround themselves with talented people and advisors, and an unwillingness to address the interpersonal and intrapersonal challenges that come along with an

entrepreneurial enterprise, we will venture that the probability for less than optimal organizational performance is high. We believe it would make good sense for financial lending institutions to assess learning talents of leadership just as they perform due diligence in other parts of their analysis.

Finally, we would challenge entrepreneurs to conduct a self-assessment on the ten learning observations we have made about successful entrepreneurs. The self-assessment in Exhibit 1 would help them understand their approach to learning and developing as an entrepreneur. To do so is a good opportunity for self-reflection and personal improvement. To not do so is to throw away an opportunity for learning at a time when the cost of not being a great 'learning entrepreneur' is exceptionally high. ❁

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