Learning by doing
An exploration of experience, critical incidents and reflection in entrepreneurial learning

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Abstract  This research explores the learning process of entrepreneurs in relation to the parallel processes of personal and business development. Building on theories of individual learning and of the business life-cycle, this paper discusses the impact of critical incidents from an individual perspective and, in particular, their role within entrepreneurial learning. A phenomenological case study approach was employed, with the sample consisting of six small business owners. The interviews concentrated on the developmental history of the business, focusing on critical incidents as they arose in the general conversation. The findings emphasise the complexity of the concept of “critical incident” and demonstrate that entrepreneurs often face prolonged and traumatic critical periods or episodes, illustrating the emotionally-laden nature of these events. Furthermore, the critical incidents described here resulted in fundamental, higher-level learning, and highlight the need for mentoring support programmes designed to help entrepreneurs to interpret critical incidents as learning experiences, in order to increase the power of the learning outcomes. The authors conclude by stressing the need for further theory development that conceptualises the complex and dynamic interactivity between the individual and the business.

Introduction
This paper is an outcome of a programme of research designed to explore the learning process of entrepreneurs and its impact on both their personal development and that of their firms. Previous studies by the authors and others (Watts et al., 1998; Deakins and Freil, 1998) have suggested that there are extremely complex interplay and interdependence between these parallel processes of development and that these are not adequately explained within the dominant “individualistic” and “process” paradigms within entrepreneurship theory.

The primary research that is reported here comprises a set of longitudinal case studies of a sample of six entrepreneurs and their businesses, representing a diversity of age, background, prior experience, sector and age of firm. A series of semi-structured interviews has been conducted with the primary aims of building an understanding of the backgrounds of the individuals and the...
evolution of their firms and then considering the way in which these individuals have developed through learning. This involved the exploration of how they perceive their role within the business, how they feel that they have changed as individuals and the impact of their learning on their vision of the future. Particular emphasis was given to the role of critical incidents within the learning process and the articulation of reflection and its impact.

**Theoretical overview**

*The nature of individual learning*

Any discussion of learning is confronted with the somewhat onerous task of trying to describe or define what “learning” involves. Although there would appear to be some consensus as to its meaning, as evidenced by the widespread use of the term in everyday language, the contributing literatures reflect immense diversity of opinion, and the distinctions that abound serve to remind theorists and practitioners of the complexity of the learning phenomenon (Nicolini and Mesnar, 1995, p. 738). However, there remain several theorists who have proffered a general definition of learning, such as that given by Huber (1991):

> An entity learns if, through its processing of information, the range of its potential behaviours is changed (p. 89).

The importance of Huber’s argument rests on the assertion that learning does not necessarily have to result in changes in behaviour, a notion supported by Gibb (1995). Rather, it is the *potential* to behave differently that characterises this process.

This has significant implications for the study of learning, primarily because learning may represent a cognitive change that is difficult to observe or to quantify (Marsick and Watkins, 1990, p. 4).

*Learning “levels”*

In their 1983 work, Burgoyne and Hodgson adopted a phenomenological approach to the study of “natural” learning within managerial work, which focused on capturing verbal descriptions of managers’ experiences. In a similar vein to the research presented here, their data consisted of episodes or events in the working lives of managers, “asking the managers to recall their thoughts and feelings during the incident and to describe why they felt they acted or responded in the way they did” (p. 390). The emergent conclusions from this seminal work on informal, “natural” learning describe a variety of ways in which individuals may learn, and in particular identified three levels of learning that individuals may experience.

Level 1 learning describes the assimilation of factual information, which has immediate utility but no real long-term or developmental implications, described in the literature as repetitive, rote, or surface learning (see Reynolds, 1997). This is analogous to “single-loop learning” (Argyris and Schon, 1978), which applies to routine and immediate tasks. Wolfe and Kolb (1984) view this
as mere re-adjustment rather than learning, as the individual remains essentially unchanged by the experience, with no significant personal development or increased awareness.

Level 2 learning involves assimilating something that is transferable from the present situation to another, where an individual has “changed his conception about a particular aspect of his view of the world in general: the aspect being, however, situation … specific” (Burgoyne and Hodgson, 1983; p. 394). This is, therefore, clearly more fundamental learning but it is interesting to observe that the writers also categorise this as a form of “single-loop learning” as identified by Argyris and Schon (1978).

Level 3 learning is far more important in terms of stimulating fundamental change, encouraging the individual to reflect on and question not only their established ways of doing things but also the underlying values and perceptions that drive this behaviour.

Thus, such learning differs from level 2 learning in that it is not situation specific, but tends to impact on the learner’s vision, self-awareness and personal understanding at a much deeper level. This is comparable to Argyris and Schon’s (1978) “double-loop learning” and raises the question as to whether entrepreneurs have the ability to “learn how to learn”. This also has similarities to Nonaka’s (1994) dual elements of tacit knowledge, technical and cognitive, with level 3 learning relating to the latter of these two types, which regards the alteration of beliefs, viewpoints and perspectives that shape the individual’s perception of the world.

What different forms of learning exist?
Within what they categorise as level 2 learning, Burgoyne and Hodgson (1983) identify a diverse range of learning processes that individuals can experience in their everyday lives. In particular, they recognise the importance of learning by doing, also described as experiential learning, which creates a gradual or tacit change in one’s orientation or attitude. Thus, they indicate that managers appear to draw on elements of a “background consciousness” as they deal with events, and that this background consciousness can change, in a gradual manner, in the light of a continual flow of information. This relates to Marsick and Watkins’ (1990) assertions that learning is often experience-based, non-routine and tacit (p. 15).

Burgoyne and Hodgson (1983) also differentiate between more deliberate problem solving, or learning “how to”, and more reflective learning, when managers are thinking about the problem or incident but are not “in the thick of it” (Burgoyne and Hodgson, 1983, p. 395). This is similar to Megginson’s (1996) conclusion that learning is both planned and emergent. In order to engage in higher-level learning, it would seem that individuals need to engage both capabilities simultaneously, and learn to “proactively reflect” on past events in order to learn how to learn more effectively. The development of such an ability relates to Marsick and Watkins’ (1990) notion of “critical reflectivity”, which they differentiate from simpler forms of reflection, as such fundamental
reflectivity requires individuals to inquire into the meaning of events and reframe their personal understanding as a result. Of particular relevance to the research reported here is that Burgoyne and Hodgson (1983) also recognise the importance of specific critical incidents in the stimulation of learning, but categorise these learning events as examples of their level 2 learning, and do not credit them with causing higher-level, double-loop learning.

Rather surprisingly, given the results of this current research, Burgoyne and Hodgson (1983) found that more fundamental, meta-level learning, which changed “deeper” underlying concepts and created new “frames of reference” (Huber, 1991, p. 93), seemed to occur more through a gradual and tacit change in their respondents’ background consciousness, i.e. learning through doing. Thus, they characterise this learning process as a “simple single-loop one of gradually eroding one belief and building another with a gradual accumulation of evidence and experience” (Burgoyne and Hodgson, 1983, p. 398).

The importance of critical learning events
Learning through experience is a continuous process which every individual lives through and, as such, learning is an extremely complex, dynamic phenomenon. As Reynolds (1997) states, there have been numerous “attempts to make sense of the observed and experienced diversity in how people learn” (p. 116). Furthermore, learning is often an unconscious, informal process (Marsick and Watkins, 1990) and perhaps this is particularly true of entrepreneurial learning, which has been characterised as both unintentional and accidental (Murphy and Young, 1995). For these reasons, to try to build an understanding of this phenomenon in a research setting presents significant methodological challenges. For many entrepreneurs, the articulation of this learning process may be very difficult, particularly as they may be unused to reflecting explicitly on such issues.

The context, therefore, requires a methodology that is able to focus on the learning process more effectively and in terms with which respondents would be familiar.

The critical incident technique has been applied in various settings since its conception by Flanagan in 1954, and several commentators have argued for its usefulness (Gilbert and Morris, 1995; Ronan and Latham, 1974; Andersson and Nilsson, 1964). It has been employed as a research methodology in a wide range of academic settings (see Gilbert and Morris, 1995, for a review) but of particular relevance here is its application within the learning domain (Snell, 1992) and within the field of entrepreneurship (Chell, 1998; Curran et al., 1993; Tjosvold and Weicker, 1993; Garud and Van de Ven, 1992). More broadly, much of the literature on individual learning also recognises that learning and subsequent adaptation are caused by “discontinuities” or “events” (Wolfe and Kolb, 1984; Nicolini and Mesnar, 1995; Nonaka, 1994). However, the use of critical incident methodology to study entrepreneurial learning is still in the exploratory stages, one example being the work of Deakins and Freel (1998).
Thus, critical moments in the history of the business and of the owner-manager were chosen as a research focus because they offered the researcher a “way in” to studying entrepreneurial learning. The perceived criticality of the events would make them easier to recall and, through the interview process, the antecedents of each event, its resolution and what was learned from the incident could be explored in some detail.

Parallel processes of personal development and organisational growth
The prolonged discussion of the nature of individual learning and, in particular, the notion of critical learning events, reflects the implicit importance of such crisis-driven entrepreneurial learning within the literature on small business growth models. The assumption that lies behind such theorising is that, for a small business to grow, the entrepreneur must adapt and change as the enterprise moves through its life-cycle (Kazanjian, 1988; Scott and Bruce, 1987; Churchill and Lewis, 1983; Steinmetz, 1969). Of particular importance is the explicit recognition that entrepreneurs learn new behaviours and learn to think in radically different ways as a result of managing developmental “crises” within the organisation, which cause permanent change both for the individual and for the business (Greiner, 1972). As Scott and Bruce (1987) observe, “These crises are extremely important to the entrepreneur in terms of both his business and his personal life” (p. 47).

Although each small business is indeed unique, it is argued by life-cycle theorists that all face broadly similar growth challenges and that owner-manager skills and abilities need to follow a fairly predictable evolutionary pattern as the enterprise passes through the various stages of the business life-cycle (Churchill and Lewis, 1983). However, despite this crucial acknowledgement, the primary focus within this literature remains the growth process of the small business rather than the explicit effects that such growth has on the development of the entrepreneur.

In terms of learning to cope with these organisational “growing pains” (Steinmetz, 1969; p. 36), life-cycle theorists emphasise the power of proactive reflection and the need for entrepreneurs to engage in higher level learning. For example, Greiner (1972) calls for managers of organisations to develop a much better understanding of past events and experiences, in order both to gain a clearer comprehension of current problems and to enable greater prediction of future crises. Similarly, Scott and Bruce (1987) stress the need for small business owners to proactively monitor events that may lead to a crisis, in order to move successfully from one growth stage to another. Thus, Greiner (1972) posits the need for individuals to ask themselves what he describes as “critical developmental questions”, such as: “Where has our organisation been? Where is it now? And what do the answers to these questions mean for where we are going?” (Greiner, 1972; p. 38).

Facilitating entrepreneurial development
In terms of facilitating such proactive reflection and helping entrepreneurs learn how to learn, the resounding message is that, within traditional educational
advances, the learning needs of the entrepreneur are not being adequately catered for (Goss, 1989), as there remains too little knowledge regarding how small business owners learn (Gibb, 1997). However, the work of Plaschka and Welsch (1990) explicitly recognises the importance of incorporating the concept of crisis into entrepreneurship education, by basing their model around the transitional stages that occur during the growth of a small business. They conclude that educational needs may well differ according to the stage of organisational development, highlighting the business life-cycle as an important factor in providing diversified education and training. Thus, small business owners may need and actively seek more practical support of immediate value (Weinrauch, 1984), as they endure the steep learning curve associated with start-up, where much of an entrepreneur’s learning by doing takes place (Gibb, 1994). More long-term strategic planning may only be necessary as the entrepreneur and the business develop, having clear implications for how educational strategies should be promoted and delivered.

It has been argued that entrepreneurs may need assistance in analysing where the business resides in terms of the business life-cycle, particularly in terms of what personal skills need to be developed and what actions need to be taken to avoid potential developmental crises in the future (Scott and Bruce, 1987). This issue is discussed by West and Wilson (1995), who argue that growth stage problems are caused by the failure of the entrepreneur to conceptualise the current situation correctly, consequently limiting their vision and strategic awareness. This is because their monitoring of the environment for information and opportunities is limited to situations and perspectives consistent with their experience. By relying too heavily on these preconceived perceptions and established ways of behaving, formed through experiential learning, small business owners may fall into “learning traps”, as they remain reliant on outdated situational stereotypes (West and Wilson, 1995).

The research

Aims of the research

The central aim of the research reported here is to explore, in more depth, the parallel processes of personal development and organisational growth within small businesses, focusing primarily on the role of critical incidents within the wider process of entrepreneurial learning. This programme of research continues to build on previous work conducted by the authors on this issue (Watts et al., 1998), which explored the usefulness of the Greiner life-cycle model (Greiner, 1972) and the need for adaptive learning by entrepreneurs in the face of business and personal “crises”.

It is in the light of the work conducted by the life-cycle theorists that this research seeks to gain a clearer understanding of the impact of historical critical moments from an individual rather than an organisational perspective; the primary aim being to understand how the entrepreneur learns from these incidents within the wider context of business and personal growth. Interestingly, life-cycle theories emphasise the power of the business in terms of
driving the personal development of entrepreneurs, who merely have to “adapt” their management style in order to manage crises and move on to new stages of growth (Scott and Bruce, 1987). This perspective is emphasised by Steinmetz (1969), who states, “the minute he commits himself, he is on the treadmill of forced growth, growth that requires his ability to change from an autocratic to a professional manager” (p. 36). Rather, from the conclusions drawn from previous work (Watts et al., 1998), it is here deemed more useful to explore the possibility that there exists a complex, interactive and mutual relationship between the individual and the organisation, where entrepreneurs actively share their learning with their business, both shaping its growth and direction and passively adapting to the changing demands of the enterprise.

Sample selection
The sample chosen for this study comprises six small business owners, with a longitudinal case study approach chosen as the primary research “strategy” (Yin, 1989). Within this framework, various approaches such as the critical incident methodology were incorporated, in keeping with the qualitative researcher’s need to “deploy a wide range of interconnected interpretative methods, always seeking better ways to make more understandable the worlds of lived experience that have been studied” (Denzin and Lincoln, 1994, p. 12). The sample itself was chosen to illustrate the broad range of individuals who can be termed “entrepreneur” (see Appendix 1 for an outline of the sample profile). Several theoretical frameworks were used to map this variability in terms of experience, industry and personal attributes, incorporating potentially important issues within this research. One such framework was derived from Gibb and Ritchie’s (1982) social development model, which illustrates a broad range of potential entrepreneurs using a four-way typology based on age and experience, shown in Figure 1. Although focusing on prospective small business owners, the model proves helpful in terms of conceptualising the evolving thought patterns and motivations of individuals as they move through their personal life-cycle. The sample was, therefore, constructed to incorporate entrepreneurs who demonstrated similarities to each of the typologies outlined by Gibb and Ritchie (1982).

![Figure 1. The social development model](image-url)

Source: Adapted from Gibb and Ritchie (1982)
The other prime objective of sample design was to construct a sample of entrepreneurs that demonstrated a diverse range of experiences and knowledge before entering into small business ownership. This set of criteria not only took into account what the respondents had learned prior to start-up, but also the individual learning task that confronted each entrepreneur at the time of start-up. Figure 2 demonstrates a four-way typology of start-up entrepreneurs in terms of the specific relevance of their prior experiential learning, in terms of both general business experience and specific knowledge of their chosen sector; the sample was chosen to fill each of the categories shown.

Any attempt to try to construct a “representative” sample using six case studies was deemed to be an impossible exercise; instead, cases were chosen based on the opportunity to learn the most (Stake, 1994). In this sense, they were “chosen to fill theoretical categories and provide examples of polar types” (Eisenhardt, 1989). The primary aim was therefore to ensure that some complementary aspects of the complex phenomena of entrepreneurship and learning would be provided by the different cases (Eisenhardt, 1991). Furthermore, it was recognised that a great deal of variability resided at the phenomenological level and would not be discovered until the interviews were completed. Finally, there was an element of convenience within the sample, as the respondents were chosen from personal contact networks within the Management School at Lancaster University.

The nature of the research process
The qualitative interviews were process- rather than content-oriented, as they focused on the developmental history of the business, exploring critical incidents as they emerged in the general flow of conversation. In essence, the respondents were asked to think about and discuss the first two “critical developmental questions” put forward by Greiner (1972), as outlined above. Critical events were, therefore, discussed within the wider “story” of how each entrepreneur got into business and what their primary motivations were. This also involved exploring what they had done before opening their business and how they had changed as a result of entering into small business ownership. As
these critical incidents therefore represented self-contained stories within more complex stories, the aim of this research concurred with Curran et al.’s (1993) objective to “elicit a narrative from the respondent offering an account of the incident and its resolution” (p. 15).

As a result, the interviews were relatively unstructured, and respondents were merely informed at the beginning of the interview that the focus of the research was on their personal recollections of what it felt like to open a business. The wish to explore critical incidents was phrased in more familiar terms, describing these as the best times and the worst times that they had experienced, and in particular what they feel they now do differently as a result of these memorable events. It must be stressed here that the interviewer was careful to separate the concept of criticality from the more popular notion of “crisis”, which is typically perceived in negative terms. Events that were perceived as positive, exciting and extremely beneficial in terms of outcomes were deemed just as important as those that proved problematic.

Thus, the focus of this research was self-defined criticality, in that it was the entrepreneur’s personal representation of salient moments which was of prime importance. By taking a more phenomenological approach to studying critical incidents, such as that adopted by Burgoyne and Hodgson (1983) and more recently by Snell (1992), terminology such as “How did that happen? . . . how did you feel . . . why . . . and then?” (Snell, 1992, p. 15) was used to explore each incident. This particular interview style reflected a desire to approach the interviews with as little structure as possible, to ensure that the discussion was driven by what the respondent felt was important, in order to stay as close as possible to their lived experiences (Thompson et al., 1989). In keeping with the notion of the “phenomenological interview” as outlined by Thompson et al. (1989), which is described as “the most powerful means for attaining an in-depth understanding of another person’s experiences” (p. 138), questions flowed from the conversation itself instead of the interview turning into a mere question-and-answer session.

The power of critical incidents

One risk of adopting such an unstructured approach was that the interviewer could not be certain that the interview data would shed any light on the research questions that drove this study or indeed whether the respondents had even experienced any significant critical moments in the history of the business. However, these initial fears were not confirmed, and the six interviews not only yielded an array of complex and dramatic critical moments, but also indicated that the term “incident” often tends to trivialise the diversity of critical experiences faced by entrepreneurs, who often endure prolonged, difficult and highly emotional critical periods or episodes. The six case examples outlined in Appendix 2 were the most prominent in the memories of each entrepreneur, although each respondent had several such stories to tell. In terms of this research, each set of events had a significant influence on the individual, particularly in terms of their personal learning and self-awareness.
Discussion and conclusions

The nature of criticality

What the six illustrations demonstrate is that the “critical incident” is a complex phenomenon that does not occur independently of the entrepreneur but in many cases is a change in perception and awareness that stimulates the entrepreneur into action. It is also apparent from this research that critical incidents are not discrete, isolated events as the term may suggest and it therefore often proves very difficult to define the chronological and perceptual boundaries of these events. In Cases 2 and 3 it was hard to identify what the actual critical “incident” was. For example, in Case 3, was it the serious marketing mistake that HM made, the resultant financial crisis or the subsequent actions that HM took in order to save himself and his family that was more critical to him? It could be concluded that there were multiple critical incidents within this wider “critical episode”, although they were inextricably linked and, therefore, difficult to differentiate.

This demonstrates the highly contextual nature of critical incidents and the need to understand and interpret them in relation to the circumstances in which they occur. In metaphorical terms, certain types of critical incident could be viewed as “eruptions” within these critical episodes, representing the culmination of fundamental, unresolved issues. For example, in Case 2, the critical meeting described occurred within a prolonged stage of turmoil and transition, and this sudden realisation alone did not radically alter PJ’s behaviour. However, what is evident is that the critical incidents described here accelerated this process of learning and growing self-awareness, and therefore often proved to be seminal moments within this process of change. Thus, in relating critical incidents to the notion of developmental “crises” within small businesses (Scott and Bruce, 1987; Greiner, 1972), it could be argued that the term “crisis” might relate to prolonged critical episodes, but that certain influential, more clearly-defined critical “incidents” occur within these transitional periods.

Critical incidents as learning experiences

Although the incidents described here tended to be perceived as predominantly negative in terms of their immediate impact, the developmental outcomes were often very positive. This reflects Snell’s (1992) acknowledgement that there is much more to critical incidents than merely viewing them as wholly negative experiences. “By looking at the stressful nature of these events, we overlook the potential learning involved when a manager is forced to face a difficult situation and his or her own weaknesses” (McCaulay, 1986; in Snell, 1992, p. 17).

One issue this raises is that these critical incidents have been examined from a learning perspective, which influences the researcher’s evaluation of criticality. In Case 3 discussed above, the most significant learning that HM experienced was through his reflection on his subsequent actions once he became aware of the impending financial crisis, although he also recognises that he learned about his own weaknesses from the initial mistake he made.
From a more objective standpoint, one could argue that the mistake itself was more critical, as this eventually caused the company to fail but, in terms of personal learning and development, more fundamental to this case was the moral dilemma that this entrepreneur faced.

If we examine the critical incidents outlined in Appendix 2 from a theoretical standpoint, it becomes evident that they were powerful events in the histories of the businesses and stimulated fundamental and transformational learning for the entrepreneurs concerned. The six cases richly demonstrate all three levels of learning as outlined by Burgoyne and Hodgson (1983) and other learning theories such as Argyris and Schon’s (1978) double-loop learning. To return to Case 2, for example, it seems that the behaviour that PJ displayed during this time, and his reflection on his actions, fundamentally changed his self-awareness and his resulting outlook on how he conducted his business and his life. In relation to Burgoyne and Hodgson’s (1983) assertion that higher-level learning is associated with cumulative experiential learning, where attitudes and perceptions are slowly eroded, this research indicates that critical incidents prove to be powerful learning events within such wider, more gradual periods of personal development.

**Critical Incidents as emotionally-laden experiences**

There was much evidence in the interviews of a high emotional content to the events described. Respondents reported feeling “angry”, “confused”, or “hassled” and metaphors such as “trial” and “hell” were used. This raises many interesting issues at a number of levels. At the definitional level, it is reasonable to argue that the perceived “critical incident” is essentially an emotional event, in that it represents a period of intense feelings, both at the time and during its subsequent reflective interpretation.

**Attribution of causality**

A significant issue here is the attribution of causality to critical incidents, which may prove difficult, both for the entrepreneur and for the researcher. One reason for this is the high emotional content of the incident and associated memories, which may impact on causal interpretation at the cognitive level. Another reason is that, as discussed above, a “critical incident” may be a complex set of causally-related events and circumstances. This is exemplified in Case 6, where a seemingly minor critical incident resulted in the break-up of a long-established partnership. In effect, the incident here served as a catalyst in the development of LB’s insight into the potential weaknesses of his partner, which had been a long-standing but unspoken issue within the business.

An interesting side-issue here is a possible link between attribution of causality on the part of the entrepreneur and the power of the learning experience. It is possibly significant that the three incidents that seemed to have provided the most powerful learning experiences were those reported by HM, GM and PJ and that these incidents were all attributed to their own actions or “mistakes”.
Critical incidents and the business life-cycle
By conceptualising entrepreneurship in terms of new venture creation, which many theorists within the field prefer to do (Bygrave and Hofer, 1991; Gartner, 1985; Low and Macmillan, 1988; Naffziger et al., 1994), the extremely rich and complex process by which entrepreneurs learn to negotiate the management of a growing small business is de-emphasised. Rather, it seems that Merz et al.’s (1994) stance on this issue is a valid one. “As a complement to the traditional notion of entrepreneurship as enterprise formation or birth, firm growth or expansion is becoming increasingly accepted as a valid indicator of entrepreneurship within firms well beyond the founding event” (p. 48).

The work of the life-cycle theorists asserts that certain types of critical incident or “crises” occur at certain developmental stages within the small business and the critical incidents presented here (see Appendix 2) reinforce many of the insightful observations provided by this literature. For example, in Case 2, as PJ’s business entered the “growth” stage, then the demands of expansion caused one of the most likely crises that Scott and Bruce (1987) identify, the need to move from an “entrepreneurial” to a “professionally managed” company. Similarly, it was only the tenacity and self-belief of LA that ensured that his company survived what Churchill and Lewis (1983) describe as the first stage of growth, “existence”. Thus, LA’s company suffered badly from another widely experienced problem during this period, namely that he found it very difficult to “gain sufficient customer acceptance … to become viable” (Churchill and Lewis, 1983, p. 32).

Thus, from an organisational perspective, it seems that such stage models have high descriptive validity in terms of identifying the more predictable crises that entrepreneurs may face as the business grows. Furthermore, although critical incidents were conceptualised here as either the best or worst times in the history of the business, it was predominantly the bad times or “crises” that the respondents tended to focus on, indicating that the resolution of problematic events tends to have more lasting significance.

What seems to be overlooked, though, is the complex personal learning that results from such experiences, and just how traumatic and painful these “metamorphoses” (Amboise and Muldowney, 1988) can be for the entrepreneur to manage. For example, the life-cycle theorists acknowledge that it becomes critical that the owner of the organisation learns how to delegate (Greiner, 1972), or that eventually subordinates recruited at start-up can begin to behave in ways detrimental to the business (Steinmetz, 1969), as clearly demonstrated in Case 6. However, what the critical incidents presented here illustrate, is that, although these transitions may be necessary for the sustained growth of the business, on a personal level they are difficult to manage and resolve, and this is an important part of the reason why certain critical events tend to be both prolonged and complicated.

Reflections on the critical incident methodology
Finally, it is useful to reflect on the use and validity of the critical incident methodology within this context. A particularly significant issue here is that
much of the learning undergone during such a period may be tacit and, as a result, hard to formalise and communicate (Nonaka, 1994). Thus, each entrepreneur may well have learned more than they could possibly relate, and as a researcher it seems vital to acknowledge that this work is reliant on reconstructions of events that occurred in the past, sometimes many years ago, and as a result may not accurately reflect the intensity of their thoughts and feelings during this time. However, unless the research methodology is able to capture critical incidents as they occur, which would be very difficult to operationalise, researchers will always be dependent on the subjective representations of their respondents.

However, despite this caveat, reflection is a powerful tool and in some instances respondents are able to stand back from what happened and communicate more easily in retrospect what was going on during these often traumatic periods; events that may have been too emotionally powerful to articulate their impact as they were experiencing them (Greiner, 1972). Furthermore, it is the lasting memories of critical incidents and their developmental impact that remains the primary focus of this research, making these highly subjective interpretations valuable and pertinent research data.

Implications of the research: enterprise support policy

In terms of facilitating entrepreneurial activity and more specifically entrepreneurial learning, a great deal of attention has been focused on stimulating and supporting the creation of new ventures (Sullivan, 1999; Gibb and Ritchie, 1982). However, what is highlighted here is that managing the growth of a small business also proves to be a difficult and traumatic process, with entrepreneurs often having to learn harsh and expensive lessons as their ventures move through the business life-cycle. In particular, it is evident that the small business owners interviewed here were confronted with problematic developmental crises (Greiner, 1972), of which they had very little experience, and, while difficult and painful to deal with at the time, on reflection proved to be valuable learning experiences. Several questions, therefore, arise from the acknowledgement that the learning needs of entrepreneurs may well alter as the business experiences such fundamental change. Primarily, how can support programmes help to smooth this transitional process of growth and therefore help entrepreneurs move through the various stages of the business life-cycle more efficiently and less painfully? More specifically, what sorts of assistance can be provided in terms of helping entrepreneurs to successfully overcome the critical incidents that they face, and how can advisers help entrepreneurs to anticipate and avoid potential critical incidents or episodes that may arise in the future?

In order to achieve these objectives, one important issue to recognise is that such focused support would be highly contextual and individualised, with such training being stimulated by the specific needs of the entrepreneur in relation to their business (Goss, 1989). To create such facilitative, dynamic assistance would require a detailed knowledge of both the entrepreneur and their
business, and, therefore, highlights the importance of long-term mentoring programmes within small businesses. This issue is explored by Sullivan (1999), where the activities of mentors involved in supporting the entrepreneur through critical incidents but also facilitating such higher-level, double-loop learning has been monitored. Significantly, the entrepreneurs involved in this research regarded the ability to analyse critical incidents in this way to be of great importance (Sullivan, 1999).

The role of entrepreneurial mentors would therefore be twofold. First, to simply “be there” for the entrepreneur when they are actually going through a critical incident or episode; a person to whom the entrepreneur feels they can talk, who not only understands what they are experiencing but can also give meaningful and immediate practical advice (Weinrauch, 1984). Within such a process, mentors would also aim to help entrepreneurs “step back” from what is happening and to engage in more reflective learning as to why the critical incident is occurring and what the most effective solution may be to ensure that the company continues to grow. The second role is more strategic and developmental, and involves “bringing forward” the experience of the entrepreneur to understand more clearly events that have happened in the past and where the company is at present, in order to try and avoid certain critical incidents or more prolonged critical periods in the future. Gibb (1997) refers to this as “generative” learning, which is described as “an interactive process of reflecting on the vision, performance and capability of the business and the ways in which new threats and opportunities impact upon it” (Gibb, 1997, p. 19).

The primary objective of such a mentoring programme would therefore be to provide an understanding and constructive context, which allows the entrepreneur to examine their business from a more detached perspective, but which is also deeply rooted in both action and reflection.

However, in terms of operationalising such an approach, certain issues must be considered. For example, finding a group of mentors that have the experience and interpersonal skills to conduct such counselling can be both difficult to find (Weinrauch, 1984) and more expensive to provide than “up-front” prescribed training (Sullivan, 1999).

A final word of caution may be appropriate, though, as, despite the important role that mentors can play, the power of experiential learning must not be underestimated (Bechard and Toulouse, 1991). It is important to recognise that entrepreneurs often have to experience these events for themselves to develop higher-level learning outcomes from what happened, and to fully understand how to avoid the same mistakes again, a point illustrated in Case 1. This brings into question just how much entrepreneurs can learn vicariously and that, in many cases, the entrepreneur will still feel that “they know best”.

Given the scale of the learning task that any entrepreneur is confronted with, there is a compelling need for them to develop the attributes of the “reflective practitioner” (Schon, 1983). It is suggested here that the primary aim of such a
programme should be to help the entrepreneur conceptualise critical incidents as learning events, thereby increasing the power of the learning experience by stimulating proactive reflection on what happened and how effectively the problem or opportunity was dealt with – in effect, helping the entrepreneur to “learn how to learn” from these memorable events.

Implications of the research: theory development

A consistent theme of this paper has been the need for an integrated perspective of personal and business development. However, any integrating framework would need to recognise the immense diversity of accumulated learning brought to the start-up, the individuality of both the context and the development of every small business and the super-complex interactivity between the “personal” and the “business”.

Within the sample discussed here, there were very different levels of “preparedness” for self-employment, illustrating the diversity of pre-start-up experience discussed by Gibb and Ritchie (1982). Relative to each specific business context, there were clear differences in the level of “learning task” that confronted each entrepreneur. While the life-cycle literature provides examples of relatively predictable developmental crises, what was most remarkable about the interview data was the extremely diverse and individual nature of the critical episodes described: variability and complexity that reside at the phenomenological level and, therefore, only accessible by means of an interpretative, qualitative methodology. Thus, events described differed markedly along several dimensions – not only in their specific circumstances but in the process of their eventual resolution, in the nature of learning deriving from the episode and in the attribution of causality to the events.

In terms of theory building, we are a long way from the development of sufficiently broad-based theoretical frameworks to illustrate this diversity with any adequacy. However, it is the authors’ conviction that a dynamic learning perspective such as that explored here offers the most useful basis for the development of such integrative theory.

References


Appendix 1. Sample profiles

Case 1: GM
GM is in his late 30s and founded his venture, a distributor of car cycle carriers and related accessories, some three years ago after taking a full-time MBA degree. Immediately prior to this, he had been a teacher at a boys’ public school, following a period working as a small business manager in a major bank.

Case 2: PJ
PJ is 39-years-old and trained to be a teacher, before working as a TEFL (teaching English as a foreign language) teacher in Sweden for four years. He formed his own language training school in 1989, in partnership with a multinational Swedish company, specialising in the provision of language communication skills training for their managerial staff, but now trains managers and other professionals in a number of European countries.

Case 3: HM
HM is 42-years-old and has had a complex managerial and entrepreneurial career. He joined a major bank as a school-leaver and built a career in corporate finance, joining a consultancy, of which he eventually became the majority owner. After a number of other consultancy and training ventures, he acquired his present specialised consultancy business in 1996.

Case 4: WP
WP is about 30-years-old and started his current venture, a distributor of specialist motor spares, in 1991, following the sale of a similar business in which he had been employed since joining as a school-leaver. Immediately prior to starting his own company, WP was briefly employed to set up a similar business to the one he had been working in but quickly learned that he needed to open a business for himself.

Case 5: LA
LA is about 40-years-old and started his communications cabling installation business in 1990. After leaving school, LA worked his way up through the ranks from an apprentice to a commission engineer on nuclear fuelling plants, spending 15 years in the same company. Immediately prior to going into business for himself, he worked for a similar small business as project manager.

Case 6: LB
LB is approximately 50-years-old and started his trekking company in 1988. After working in local government he was employed as a PE teacher for seven years. Immediately prior to starting his own company, he worked for an outdoor development company, running courses for post-school teenagers.

Appendix 2. Case histories

Case 1 – over-proactive experiential learning about direct marketing
This critical incident arose during the frenetic start-up period for GM, and clearly demonstrates both the importance and the potential pitfalls surrounding proactive trial and error learning. GM is explicit about his intention to learn about direct marketing through the introduction of a mail order catalogue and, more fundamentally, to learn more about the potential ways to make his business profitable. Unfortunately, this experiment proved to be an expensive one, for GM lost a lot of money on this first attempt, which forced him to recapitulate his company and seek the financial assistance of his parents, something he had not done for many years. This was a formative period of learning for GM, as he now recognises the mistakes that he made and, as a result, he has a much clearer picture of how to develop the catalogue in the future, which he acknowledges is now on the “backburner”. As he reflects:
Yeah, it was just absolutely flat out all the way, just non-stop … and having sunk and lost a lot of money on that first catalogue and realised what I was doing wrong and thought, well, we'll sink slightly more money and lose slightly less money, hopefully … It needs a lot more research, much more working capital, it needs a partner. Probably it needs to be floated off and made a sort of little business in its own right.

Thus, GM not only learned a great deal about the practicalities of setting up a catalogue and the associated problems but, more fundamentally, he learned the difficulties associated with trying to overcome the seasonality in his business. Clearly, this critical incident made him think a lot harder and more carefully about how to take the business forward in the next couple of years. Furthermore, this event emphasises the power of experiential learning in terms of gaining confidence and knowledge, learning that can only come through actually doing it. GM felt he had to test out the potential of a mail order catalogue despite the advice of someone who warned him how much investment a catalogue would need in order to make it a success. On reflection, he acknowledges that he probably knew this before he started and yet he still went ahead.

Case 2 – gradually learning to delegate
A critical incident can often represent the culmination of an underlying internal conflict within the organisation that has slowly been building for a prolonged period but quite suddenly reaches a crisis point, particularly in the mind of the entrepreneur, who perceives such an event to be the “last straw”. This was certainly the case with PJ, as he felt that the person he had recruited to manage the business had made a serious error of judgement, which resulted in a “critical” meeting where both individuals expressed their views openly for the first time and thus became an important turning point both for PJ and his business. The fundamental problem was not, in fact, that his manager had made a poor decision, rather that PJ was struggling to negotiate his position within his own company, recognising on reflection that he was having “real problems letting go”. Thus, it is clear that the business and the entrepreneur were both suffering as a result of the sometimes difficult transition from an entrepreneurial to a managerial-based company. The fact that he had lost his role meant that he was both confused and permanently angry and, as a result, continually in conflict with his manager, who was struggling to live up to PJ’s personal standards. The meeting described above was therefore extremely critical, for it was the first time that PJ openly accepted his changing role and his manager’s contribution to the business:

I learned to trust him, basically. I learned, I came to realise that he was far superior to me in terms of managing people … so my role then became quite clear as sales, marketing, planning and sharing dreams with people … my role had changed.

Thus, PJ experienced fundamental personal learning after this event, finding both personal direction and slowly overcoming what he describes as the painful process of learning how to delegate:

Now, if I think there's something wrong, I don't haul him into my office, I merely make an observation and ask him What do you think about this? What do you think about that? And we come to the conclusion that perhaps we can change it. So I think my style has changed towards him, in fact I know it has.

Case 3 – fundamental learning about oneself through financial crisis
The dilemma that HM faced was undoubtedly one of the most serious critical incidents that can face any small business owner, potential bankruptcy. This crisis was actually generated by HM himself, who acknowledges that he made a serious marketing error that he thought he was not capable of making, and which effectively sank the company. What is apparent here is how everything is heightened in times of crisis and the emotional side of small business comes to the fore. On reflection HM does not know how he would handle such a stressful period now, but at that time he managed to engineer a solution that allowed him to walk away from the situation in a very comfortable position, while leaving his partner with a failing company that was clearly heading for bankruptcy. Thus, HM describes this critical incident as a moral dilemma, as
“everything was on the line” and he had to put his wife and family first. On reflection, he sees that there was no right or wrong in that situation, he had the ability to save himself and he took it. However, this period did have a dramatic personal effect on this entrepreneur, for he learned exactly how single-minded he could be in a time of crisis, a frightening realisation that he recognises he has had to live with ever since, and which as a result has radically changed both his whole attitude to business and his perceptions of himself:

I'm much more acutely aware of trying to look after everyone and now I'm far more inclusive because, really, it's almost as if I felt that was a sort of judgement day, as if, you know . . . it, arguably, probably was a turning point and from that point onwards I've looked very differently at things and tried to avoid such major moral positions like that.

Case 4 – accelerated learning through a simple administrative error
The internal crisis that WP faced is once again illustrative of the ability to over-extend oneself when in business, but it was a simple administrative mistake made by his wife, who at one point did all the book keeping for the company, that put his business into severe financial crisis. On the basis of her calculations, WP believed that the company had £2,000 to spend and as a result paid all his suppliers when in reality he was £2,000 in debt and was clearly unable to pay the cheques that he had issued. On reflection, he describes it as one of his “top five worrying moments”, where he suddenly thought “I might not be here next week”, and as a result had to quickly raise money to cover his error, having to do some “serious juggling of money”.

The interesting aspect of this critical incident is the fact that WP sought the advice of two business acquaintances to help him re-organise his business after this event and actively tried to learn how to run his company more efficiently. This highlights the fact that entrepreneurs do not always face critical incidents on their own, for WP is explicit that it was actually “quite weird”, because for the first time he needed reassurance that what he was doing was right, even though he knew instinctively what the correct course of action should be. On reflection, he is quite pragmatic about what happened, recognising that he had a problem and he needed to deal with it, and the important thing was “just to get on with it”. More fundamentally, WP acknowledges that this critical incident contributed towards his changing perceptions of his role within the business, and the growing realisation that he had to be more “hard-headed”, strengthening his resolve to take things more seriously.

Case 5 – painful learning about the reality of entrepreneurship
To use the term “critical incident” in the context of this particular case tends to trivialise the extent of the problems that this entrepreneur faced during his first few years in business, which could usefully be described as a prolonged critical period in the history of the business. The importance of this critical incident is that it marked the beginning of a new chapter in the history of the business and proved to be a fundamental turning point for LA. It was suddenly being informed by his accountant that he had made an £18,000 loss, at a time when he felt the business was finally starting to grow, which suddenly caused LA to reassess how his business was functioning and in a sense encouraged him to get “back to basics”. The fundamental problem with the company was that LA was strongly influenced by his previous roles, which were all managerial, and as a result he never actually saw the work in his first few years in business, rather it was contractors around the country who consequently made all the profits. However, it was not until this critical incident occurred that he explicitly learned that this needed to change for the company to develop, and it was only once he started to actually do the work himself that there was a marked difference in growth. One could interpret that LA had to learn to become more “entrepreneurial”, as initially it seems he was intent on running a professionally-managed enterprise without the necessary client base to facilitate such an objective. Thus, this critical incident not only forced LA to completely re-define his own role but it also established in his own mind how lonely small business can be and how hard it is to share the inherent belief that the business will succeed:

I knew it would work but I couldn’t, you couldn’t tell anybody, because no one else was feeling how good it was going to be . . . I mean you’re on your own, you really are on your own.
Case 6 – learning about critical relationships

The previous cases have all illustrated negative critical incidents that can have a major impact on both the individual and the business, but it is important to illustrate the power of positive critical incidents in terms of creating permanent change and development. In the case of LB, the complexity surrounding critical incidents is apparent, for three successive critical incidents occurred within the business in the space of a year. Not only were these causally connected, but more importantly two negative “crises” could be directly attributed to a positive critical event in the company’s history. To elucidate, this business is in the travel and tourism sector, and an important Airtour Operator’s Licence was needed to ensure that the business continued successfully, but LB felt that he was the only one to see the urgency of this situation. In particular, his partner was unable to grasp the fact that the licence was crucial to the business and both men needed to put their houses on the line in order to raise sufficient finance to secure it. Once again, it is clear that there was an underlying conflict within the organisation, as LB was becoming increasingly frustrated with his partner’s indecisiveness and lack of awareness, which were epitomised during a minor critical incident, where his partner was seduced by a smooth-talking photocopier salesman. As LB reflects, he found this almost impossible to deal with. This event could once again be described as the final straw for LB, as it “more or less finished” their relationship and his partner left shortly after this incident, which in itself was another critical incident. However, to reiterate, what sparked this fundamental crisis was the licence, which LB finally got shortly after the departure of his partner and which was a “big occasion when it first came through … and I thought this was the time for us to jump up a couple of gears”. Thus, not only did this positive critical incident radically alter LB’s perceptions of his business and his visions for the future, but LB learned a great deal during this critical period with his partner, particularly the need to make hard decisions in the interests of the business, even if they are difficult to accept on a personal level. Thus, it seems that LB discovered the important lesson that it is sometimes quite a painful process to be an entrepreneur, in particular the internal conflict and pressure that come from having to be uncompromising:

I think the bullish thing I learned was that you’ve got to make decisions in this, in a small business. You can’t have a cosy consensus, somebody’s got to be, being decisive and that was borne out by the fact that (partner) in my book was very indecisive, couldn’t, couldn’t really make professional decisions … he could afford to be nice to everybody but I had to occasionally look at the bank balance … and that’s bugged me over the years.