Entrepreneurial Obstacles to Growth

Elkjær, Jørgen Ravn

Published in:
International Journal of Knowledge, Innovation and Entrepreneurship

Publication date:
2015

Document Version
Publisher's PDF, also known as Version of record

Citation for published version (APA):

General rights
Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

- Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
- You may not further distribute the material or use it for any profit-making activity or commercial gain.
- You may freely distribute the URL identifying the publication in the public portal.

Take down policy
If you believe that this document breaches copyright please contact rucforsk@ruc.dk providing details, and we will remove access to the work immediately and investigate your claim.

Download date: 07. Dec. 2018
Entrepreneurial Obstacles to Growth

JØRGEN RAVN ELKJÆR
Roskilde University, Denmark
Received 3 March 2015; received in revised form 24 April 2015; accepted 29 April 2015

ABSTRACT A motivating feature for a founding entrepreneur is to establish a hierarchy based on his own valuations and ideas regarding the business model and what management is and how it should be realised. Quite often the entrepreneur’s background and experience has a determining function in this process concerning the initial business strategy. Subsequently there are organisational forces which make the chosen strategy difficult to change. At the same time the structure and processes of a hierarchy are products of the surrounding environment in the form of general cultural as well as business-specific institutions at the time of establishment. Academic and practical ambiguousness concerning the possibilities of changing the strategy in a hierarchy to encompass external changes has caused an ongoing debate about organisational inertia. In case of increasing global involvement, however, the entity has to adapt to environmental changes and variation, and the imprinting effects of the founder’s experience fade. In this paper the importance of learning and organisational participation are presented as part of a solution to the challenge of organisational inertia in case of increased international involvement. According to this argument, firms in a volatile environment develop their own experience, which then diminishes the effect of congenital learning stemming from the founder’s background. Entrepreneurs with comprehensive international experience are aware of this and thus able to identify more opportunities in international markets than those without their level of experience.

Key words: Organisational inertia. Organisational learning, Organisational participation, Entrepreneurship, Strategy
Introduction

According to classical economics the markets for input, output and financing limit the growth of a company. This challenge is an important reason to study strategic planning (Ansoff, 1965). The relationship between the concepts of change, strategy and entrepreneurship is crucial, since assuming a lack of change, combined with homogeneous elements in the production function, leaves no role for the entrepreneur to play (Schumpeter, 1934; Baumol, 2006). It is not only the limits of the markets, financing and economic recession that impede growth. For several decades it has been put forward that the entrepreneur as a person or a function may restrain the strategic options available. Several important issues relating to this limit are mentioned in Mason and Harvey (2013). One question is whether opportunities are objective realities, in an Austrian sense (Kirzner, 1973), or socially constructed (Plummer et al., 2007). Ambiguosness concerning the possibilities of creating and changing the strategy in a hierarchy to encompass external changes has caused an ongoing debate concerning two different hypotheses. Hypothesis 1: development is a consequence of a change in strategies in hierarchies due to adaptation; and Hypothesis 2: development is a consequence of the survival of hierarchies with suitable existing strategies (subject to minor changes). Today—almost 50 years after the publication of Ansoff (1965)—there is still no agreement concerning the degree to which the entrepreneurial function or role can make sufficient adaption to changed technical or social conditions.

In this article central arguments impeding strategy are put forward from an entrepreneurial point of view. The discussion is structured based on factors that impede change of strategy in a hierarchy, e.g. external barriers and institutional inertia. The latter is partly caused by limited rationality, and the fact that a hierarchy is also a coalition. These factors are of importance to the entrepreneur when carrying out the task of strategic management. The importance of learning is presented as part of a solution to the challenge of organisational slackness.

Organisational inertia

Several of the economic theories of the firm substantiate why the growth of firms is impeded. Jensen and Meckling (1976) advance the principal-agent argument; Penrose (1959) emphasises the limited capacity of the management, while Leibenstein (1968) describes the employees' option of departing from the optimum. Theories with an evolutionary approach (Schumpeter, 1934; Nelson & Winter, 1982) advocate the importance of the routines of the firm. As a consequence of routines the fundamental business model or concept of the company
is difficult to change, and the economic development results from the pressure of selection among companies and strategies, where the fitter (or fittest) survive. Several other approaches are based on the assumption that only a few possibilities exist to change the strategy, the concept or the vision. Klein (1996) argues from an Austrian point of view that the need for markets for intermediate goods places limits on the scale and scope of the organisation.

Organisation theorists Thushman and Romanelli (1985) advance an intermediate attitude in their analyses of the development of hierarchies and in this regard the complex processes and ties between hierarchy and strategy. They describe the development of hierarchies as the result of two contrary forces: 1) constant, stabilising forces, and 2) periodical, changing forces. The stabilising forces are as a main rule dominating. Therefore stabilising periods with small marginal changes are of a comparatively long duration and imply an adaption to the new circumstances. The stabilising forces are as a main rule dominating. Therefore stabilising periods with small marginal changes are of a comparatively long duration and imply an adaption to the new circumstances. But external or internal reasons can occasionally cause the changing forces to be dominating. Thus the changes indicate frontiers between periods stamped by stability. It is the difficult task of the leaders of the firm to overcome inertia in order to change the hierarchy when external circumstances necessitate an adaptation to new conditions.

The question, then, concerning both the products and routines of the hierarchy, is to which degree changing the comparative advantage of the firm is possible in a manner similar to that described by, e.g. Ansoff (1965).

The problem put forward by the present argument can be boiled down to this question: Why do companies in stagnation or recession not, or more often, enter into trades in growth? The aim of the following is to emphasise certain difficulties facing the entrepreneur if a change of strategy is needed.

The quest for growth

Modern companies want to grow. From an institutional perspective, several forces in society desire that the business sector flourishes, not only with regard to the economy but also politically, socially and philanthropically. Often considered crucial to the success of a business, growth nevertheless also involves various dilemmas. For example it may entail a loss of focus in terms of a business model or challenge ethical standards and the goal of sustainability.

One reason for advancing growth is that all stakeholder groups are in favour of a strategy that fosters growth, because growth of the corporate entity tends to increase the stakeholders’ business and economic opportunities, not to mention public income from tax. Some stakeholders, e.g. banks, evaluate whether
the growth that occurs is in balance with the business risk associated with that growth. Checks and balances are part of the mechanism of corporate growth and corporate governance, and finance plays an important role in this context. In particular research shows a positive relationship between the growth of a company in terms of e.g. employment and equity, and the salary of the top management (Elkjaer, 1992).

According to some neo-institutional theories successful entrepreneurs and managers have the ability to tailor or develop their interactions with different stakeholders. In addition to establishing contacts to garner resources, entrepreneurs and managers are interested in making and maintaining networks with, for instance current and potential employees, investors, customers and vendors (Tracey, 2011).

**Establishment of strategies**

Interest in the process from which strategies derive has been limited. First it is of importance to analyse the influence the circumstances at the time of foundation have on the establishment of strategies, and second the degree to which this influence is maintained subsequently. Initially, a hypothesis must be drawn up as to how a strategy arises by establishment of a hierarchy. Establishing a firm is realised from a more or less articulated concept or vision that expresses an idea of the firm and its aims. This phase, however, comprises neither hierarchy, procedures, routines or physical facilities. Kimberly (1979) compares the importance of the early development of the firm to the first years of human life. Formulating strategy is not only an analytically objective process that can take place without influence from the value norms and other conditions of those who construct the coalition of the firm (Cyert & March, 1963). The conception, belief systems and experience of the entrepreneurs who are the founders of the firm are decisive factors in the process of organising a hierarchy and routines. Especially the strategy of the firm is a token of the entrepreneur’s background.

The management literature shows that the founder’s experience, background and founding strategy have a persistent impact on the firm’s performance (Cooper 1979; Feeser and Willard, 1990). According to Schumpeter (1934) an entrepreneur's aim is to create an organisation (a 'monarchy') by realising a vision or a concept. This takes place, for example by creating a management organisational body and by employing staff that confirm this concept. The entrepreneur has the opportunity to establish a hierarchy based on his own valuations and ideas regarding what management are and how it should be realised. This aspect is probably a motivating feature for entrepreneurs. On the other hand, the entrepreneurs do not have the option of establishing a firm that is exclusively the
product of original thinking (Simon, 1976). As described by Nelson and Winter (1982) the memory of the recently founded firm will be embedded within the individuals involved rather than in the structures and processes of the hierarchy. Entrepreneurs can also avoid the impossible task of deciding on every possible detail in connection with the establishment by using concepts, models and ideas that they can imitate. A number of studies substantiate that these ideas are a reflection of the entrepreneurs own background and earlier experience. Also, the professional leader’s personal valuations are extremely important when choosing strategy (Hrebiniak & Joyce, 1985). Correspondingly, it appears from a number of research findings that the entrepreneur’s attitudes are engrafted onto the hierarchy via the institutionalisation of roles and structures which reflect the entrepreneur's own evaluations and habits. In this way the entrepreneurs' vision becomes an inheritance which is retained after her retirement from the hierarchy.

**Institutions and routines**

Realisation of the aim of a hierarchy implies the setting up of institutions and routines. Engaging staff, organising procedures and the distribution of influence will be stamped both by the entrepreneur as a person and the surrounding environment. Engaging staff and allocating the resources of the hierarchy establish the institutions and routines of the hierarchy in the firm. The creation of a comparative advantage is more than just a result of the entrepreneur’s selection of a certain product and market. Before the establishing phase, the firm's product and market will often only be known as preliminary considerations (Dew et al., 2011). The concept or vision of the firm becomes institutionalised by certain activities that are considered highly prestigious and therefore receive resources and consideration. This is the exact manner in which a comparative advantage evolves. By copying well-known routines the firm obtains the same comparative advantages in the fields in question as the firms that are copied or used as paradigms. In addition, imitation reduces the risk involved compared to employing untried procedures. This is one of the advantages franchising offers. One of the drawbacks of copying, however, is that the entrepreneurs do not sufficiently reap the possible advantages of renewal that innovation offers.

A successfully concluded establishment phase is thus characterised by an institutionalisation of structures and processes. This does not mean that the structures and processes chosen are the most efficient or that every possible alternative has been considered. The entrepreneurs have sequentially examined a number of possibilities according to the principle of *satisficing* until they have found a satisfactory solution (Simon, 1976).
The values of a company’s founders are part of an important reciprocal process between the company and its surroundings and involve key stakeholders, thus resulting in the development of social networks. Local communities and institutional conditions are all part of this development.

Entrepreneurial companies with the potential to grow can be regarded as an experiment. As they develop they often experience tension concerning their possible strategies as they encounter various dilemmas. When an entity seeks to grow beyond a local focus and when financial risk must be avoided, this development might occur, to some stakeholders and the founders, at the expense of their original business model and even ethical standards.

**Imprinting from the environment**

The founders’ background and individual support are not the only factors of importance to the characteristics of the organisation. The structure and processes of a hierarchy are at the same time products of the surrounding environment in the form of general cultural as well as business-specific institutions at the time of establishment. Chandler (1977) emphasises the importance of contemporary concrete historical and cultural factors on the development of hierarchies. The environment determines not only the needs that a hierarchy meets by establishing, for example a railway or production of goods, but also the internal structure of a company is due to the characteristics of the established hierarchies at the time. Stinchcombe (1965) concludes that hierarchies are stamped by the trade in question at the point of time when the hierarchies are established. Along this line Beckert (1999: 778) mentions the question “If organizational structures and strategies are shaped by institutional environments, what is the role of ‘strategic choice’ (Child, 1972) in the management of organizations?”

**Institutional inertia**

According to Mintzberg and Waters (1982) there is a general tendency for strategies not to change, but to remain unchanged for a number of years. In addition, the circumstances surrounding a change of strategies are so complex and multifaceted that systematic analysis is difficult. The choices made in connection with the establishment of a hierarchy will have a permanent influence on the characteristics of the hierarchy in question and impede utilisation of the strategic possibilities in subsequent phases. Well recognised is the fact that leaders of hierarchies facing new problems have a tendency to apply well-known solutions (Cohen et al., 1972; March, 1981). This can be ascribed based on a tendency to solve problems using original reflections as a starting point and to retain existing routines. An investigation of the founder’s role during the process of establish-
ment in a number of firms led to the conclusion that the founder’s original ideas concerning the future development and aims of the firm gradually became institutions (conventions and rules) in the firms (Schein, 1985). Moreover the established institutionalised ideas continued to remain in force, also when the firms outgrew the size where the ideas in question ceased to be suitable. Thus institutionalised ideas appear to survive the replacement of personnel. Two important reasons for institutional inertia are limited rationality and the hierarchy as a coalition in equilibrium.

**Limited Rationality**

The evolution of the institutions and routines of a hierarchy is not only a question of efficiency, but also the possibility of overcoming institutional opportunism under limited rationality (Williamson & Ouchi, 1981). The processes of selection and perception limit the aspects of possible strategies the entrepreneur takes into consideration (Starbuck, 1976). DiMaggio and Powell (1983) argue that some decisions within a company often depend on processes that resemble rituals more than rationality. Starbuck (1982) even maintains there is an ideological influence on hierarchies in essential fields and writes that the structure and technology of hierarchies can best be described as ‘primarily arbitrary’. In other words technology and procedures in a firm are related not only to the outer world by rational processes of decision but rather often by imitation and the founders’ standard of values. Some small entrepreneurial companies often practise conventional management and entrepreneurial styles, the characteristics and capabilities of which are the reason why some small entities are more pragmatic when it comes to dealing with pressure and they tend to develop long-term relationships with isomorphic stakeholders and business partners (Davies and Mullin, 2011; Seyfang and Smith, 2007).

**The coalition as equilibrium**

During the formation phase, the fundamental coalitions of the hierarchy of importance of the initial strategic plans are worked out. The entrepreneurs maintain the dominance of their own personal kind of human capital in the hierarchy by engaging managers with the same kind of human capital. The entrepreneurs' selection of staff consequently has a determining effect on the strategic choices made. The relative influence of the departments that have come into existence during the establishment phase subsequently contributes to maintaining the strategy formed. Often the leaders of a hierarchy find it suitable to engage staff with a homogeneous background, e.g. individuals with a certain degree from a certain educational institution (Kohtamaki et al., 2012). The managers engaged
by the entrepreneur will be in charge of engagements and promotions where people with equivalent qualifications and attitudes are preferred. Therefore the patterns of influence in a hierarchy are not only the result of earlier choices, but also an indicator of the tendency of future decisions. A mutual understanding is derived from this process that will become part of the established routines and system of human capital in the hierarchy. On the other hand a tendency to hierarchal introspection might turn up that entails difficulties in receiving and employing new information, which is necessary in a turbulent market.

Employee participation in developing strategic planning supports the implementation process, because it clarifies the entity’s policies and visions, creates consensus about policies in an entity, and thus increases the commitment of individuals (Mantere and Vaara, 2008).

Certain sequential models can explain the selection of alliances (Oviatt and McDougall, 2005). These models take into account the possible opportunistic behaviours of entrepreneurs. When small and medium-sized enterprises enter into the process of selecting alliances, they face a variety of integrated activities, which can create opportunities for them. Because today’s businesses face an environment characterised by constant change, adopting proactive behaviour and flexibility regarding strategies play a vital role in achieving success. A combination of two important approaches is required for developing a successful alliance. The first approach involves the strong, detailed planning of all important matters, and the second one is openness, which can aid the process of identifying important partners. In general, the skilful combination of analysis and intuition, or alertness and judgment, are central to entrepreneurial and corporate success.

**Going global change**

If the entity subsequently has to adapt to environmental changes and variation, the imprinting effects of the founder’s experience fade. (Bamford et al., 1999; Boeker, 1989). According to this argument, firms in a volatile environment develop their own experience, which then diminishes the effect of congenital learning stemming from the founder’s background. The founder has to organise and develop his intentions and aims into business strategies and then subsequently implement them to remain competitive. During this process the support and keen involvement of the founder at every level to develop business alliances in the market are essential (Spence and Crick, 2009). The strategies the founder develops tend to cohere with the knowledge and the style of the founder. This makes sense because strategies must be consistent with founder’s vision and also the firm’s environment. If one of the two (vision or environment) fail, the probability of success is less likely. Capable entrepreneurs know that
their knowledge about the skills and competencies of their organisation is incomplete and that they have to develop organisational structures that will stimulate the involvement of important internal stakeholders.

Internal stakeholders possess insights concerning the internal situation due to their experience and familiarity with daily routines and activities. Strategies can only be successful if internal stakeholders collaborate with each other and continually develop their proficiency by dealing with an unpredictable, changeable environment. In the business world change is constant, and future issues and conditions are to a wide extent unpredictable. Constructing and changing strategies according to the context are important aspects of supporting the firm and keeping it alive, which thus means being alert to changes in the environment and making evaluation situations appropriately (Foss & Klein, 2012).

**External alliances**

Developing alliances at an international level to aid the transfer of technological knowledge and resources, and the learning of new skills with minimum redundancy costs is a skill (Allio, 2008). In order to select, manage and retain an internal alliance, analysing internal strengths, weaknesses, competencies and management style of the entity is important. The entrepreneur must set targets for the entity, analyse resources, allocate resources and develop selection criteria for choosing an alliance. In short an efficient entity will often benefit from a plan for developing alliances and gaining an understanding of the resources required. Apart from finding complementary competencies and resources as required, the entrepreneur must select an alliance or a partner. When the entrepreneur decides to develop a new alliance, then considering existing alliances is valuable as is taking into account if the entity has the capacity to handle both its current and prospective alliances.

In most cases organisational learning is crucial to success and survival, and the role of organisational learning is paramount to successful internalisation. The literature contains numerous studies that conclude that alliances are major sources of learning and exposure. Entities learn how to collaborate from alliances and ongoing relationships. By doing business entities learn how to build alliances, they gain experience and they increase their competencies and performance level with future alliances. Learning and experience are both collective and individual; consequently they have to be transmitted as an attitude to become a vital advantage to the organisation. Besides tacit knowledge and skills, a variety of codified procedures must be spread throughout the entity. The entity collects and obtains implicit knowledge and also develops administrative routines, policies and procedures.

When entities enter into new, high technology ventures, adopting a flexible
and mutually reciprocal process is required to ensure the sharing of knowledge at different levels and in sub-entities with the help of flexible communication systems. This applies both at the entity level and at the individual level. The goal is to apply newly acquired knowledge in all parts of the organisation. This knowledge is often of an important tacit nature, which is why it is embedded in the routines of the organisation. An advantage for the firm is that tacit, cumulative skill and knowledge are difficult for other firms to imitate and represent a resource that provides quasi-rent to the company (Marshall, 1920). The economic importance of forming alliances is that international networks, partners and skills are immaterial assets, which together constitute the base of a micro monopoly.

The commitment of personnel

Several research studies support the importance of strategic planning in a dynamic business environment. Strategic planning is useful because it not only provides exact plans, but also enhances the involvement of individuals, thus improving the understanding and implementation of strategies at all levels of the organisation (Collier et al., 2004). It is often argued that if management clarifies and explains its strategic plans and involves the individuals in the organisation in developing strategic planning, then it will enhance the commitment of individuals to the organisational strategic goals. Moreover it is believed that individual commitment throughout the organisation allows the strategy to fit the organisation and promotes a more rapid, smoother implementation of a strategy, thus improving the performance of the organisation. Research indicates that organisational learning creates links between participative strategic planning and company performance (Floyd and Wooldridge, 1992; Mantere and Vaara, 2008). The reason is that organisational learning enables employees to set individual learning targets to support the smooth implementation of strategic planning (Beer et al., 2005). When organisations have a better learning capability, it means they have the capability to adapt to changes in the business environment, which in the end also enhances their performance. When employees have a better understanding of the company strategy, a feeling of ownership as well as belonging develops and employees will be more prepared to share in and achieve the business goals of the entity (Adler, 2001). Moreover when employees have a better understanding of strategic planning and company goals it encourages them to develop and set their own targets, which are matched to the goals of the entity.

There are many studies that support the involvement of individuals in the process of strategic planning in order to achieve consistency and to support with the overall planning of the entity (Cooper and Daily, 1997; Liedtka, 2000a, b).
Moreover individual involvement helps in developing a consensus within the entity regarding the strategy of the company. The above discussion stresses the importance of the participation of individuals in strategic planning. Management require evaluation of individual performance for strategic planning.

Previous studies have suggested that an entity’s ability to implement strategic planning is one of the most important factors of success (Judge et al., 1997; Wooldridge and Floyd, 1990). After analysing the meta-data on strategic planning, however, various researchers found little evidence to support the effects of successful implementation of strategic planning (Hutzschenreuter and Klandt, 2007). Multiple studies indicate that implementing strategic planning is a critical feature of increasing the performance of the entity, but they also state that individual commitment plays a critical role in the implementation process (Wooldridge and Floyd, 1990). If entities want to successfully implement strategies, then the need exists to develop strategies that promote and allow individual commitment and guide the behaviour of individuals in a desired direction. Some researchers found a positive relationship between individual participation and the successful implementation of strategies (Dooley et al., 2000).

Individual commitment enhances the motivation level of employees, which reduces the amount of time required for implementing strategic planning. Individual dedication also develops the entity’s ability to quickly respond to changes that occur in the environment (DeMeyer and Van Hooland, 1990; Dooley et al., 2000). Previous studies also support this thought to some extent. For example, researchers find that individual commitment fosters the performance of an entity, but little empirical evidence is provided to support the importance of this commitment (Armstrong, 1982).

Organisational learning

Two central concepts related to entrepreneurship are alertness and learning (Kirzner, 1973). The concept of alertness covers an understanding of the market as a process. Opportunity seeking fits with organisational and individual learning. According to Rae and Carswell (2001) and subsequent research along these lines, learning seems to be an important factor for overcoming different kinds of organisational inertia. Rae and Carswell (2001: 152) mention four important principles or focus areas of organisational learning:

- vision, decision-making and planning;
- growing the business by being close to the market;
- balancing between control and 'letting go';
- managing through people.

A recent study by Kohtamaki et al. (2012: 171) concludes that “participative strategic planning helps company management to commit personnel to strategy
implementation that in turn positively affects company performance.” A similar study involving interviews with Danish entrepreneurs and leaders of companies confirm this conclusion and the importance of the concept of organisational learning in overcoming embedded organisational inertia.

Learning from international experience

The importance of learning from experience can be analysed from an international perspective. In entrepreneurial firms that do not have international capabilities the entrepreneurs often represent the competitive edge of these firms if they possess knowledge, skills and congenital learning from previous international experience and employment prior to starting the firm. Subsequently the pre-startup experience of the founder plays an important role in implementation of strategies (Oviatt and McDougall, 1994; Sapienza et al., 2006). Entrepreneurs make decisions based on previous experience and accomplishments evaluating situations and making judgements using generalisations and interpretations based on their past experience (Kim, 1993). In this context paying attention to the period founders spent acquiring international experience before starting their current business is important. The founder’s learning and experience have an impact on how the firm is established and can be attributed to two mechanisms: (cf. Leonidou et al., 1998): 1) perceptions and attitudes, and 2) capabilities and performance.

Entrepreneurs with comprehensive international experience are aware of this and thus able to identify more opportunities in international markets than those without their level of experience. In addition, in comparison to entrepreneurs without international experience, they consider dealing with international markets to be less risky (Brush, 1995; Oviatt and McDougall, 1994; Reid, 1983; Ursic and Czinkota, 1989). Consequently experienced entrepreneurs as a whole tend to pursue a strategy with an international approach and are less reluctant to start new ventures in foreign markets, i.e. markets at a geographic, cultural and psychological distance. Quite often the cultural distance is more of an obstacle than the geographical distance (Laanti et al., 2007; Oviatt and McDougall, 1997). The entrepreneur’s international experience thus develops and their skills improve, allowing them to better execute strategic planning and its implementation (Reuber and Fischer, 1997; Westhead et al., 2001). As a result entrepreneurs with international experience are better equipped to face challenges in international markets and have a greater understanding of how to increase the firm’s revenue in a particular foreign market.

According to the research, a positive relationship exists between the effects of congenital learning and the success of the firm in the early phases of internationalisation (Elkjaer, 2004). Little evidence exists, however, to support the
persistence of positive effects from the entrepreneur’s pre-startup experience in subsequent periods of operating in an international market, and as the firm accumulates know-how within that particular market. In summary, firms with lower levels of international experience benefit more from the entrepreneur’s international experience compared to firms with more international experience. At the early stage, when the firm is entering an international market, the founder’s international pre-start-up experience fundamentally makes up for the firm’s lack of international experience, and the experience of the founder plays an important role in establishing and formulating strategic planning and its implementation.

There are three important reasons why the entrepreneur’s international experience is trumped by the firm’s own experience when the firm begins to engage regularly in international activities (Dokko et al., 2009; Groysberg et al., 2008):

- The firm’s international experience is more timely, accurate and recent than the entrepreneur’s.
- The firm learns from activities specific to the location and what it has learned is coherent with the current targets and goals of the entity, while entrepreneurs have experience from another setup, which may have differed in terms of products, institutions and markets.
- In general the transformation and application of prior knowledge to another context may result in inaccuracies and inefficiencies, while the firm has learned from current and recent experiences.

Managers and entrepreneurs are inundated with vast amounts of information from multiple sources. Despite access to, for example big data they are unable to obtain the specifics of all relevant circumstances. This fact and human cognitive limitations make decision making difficult. Simon (1976) describes this as one of the explanations for bounded rationality, which is also one of the reasons why decision making, according to Simon’s theory is a process involving satisficing more than optimisation.

Concluding remarks

This article reviews certain organisational and strategic barriers as factors that restrict the growth of hierarchies. In this connection it is maintained that the impeding factors are of importance when the strategy is changed and should not be ignored when analysing entrepreneurship and strategy. The learning perspective and organisational participation are proposed as means to overcome impeding factors, and we conclude that if a start-up gains experience by conducting operations in domestic and international markets on a regular and persistent
basis, and gradually undergoes experimental learning based on its activities, the importance of the entrepreneur’s experience and congenital learning decreases.

Correspondence

Dr Jørgen Ravn Elkjær, Associate Professor  
Department of Communication, Business and Information Technologies  
Roskilde University  
Building 44.2  
P.O. Box 260  
DK-4000 Roskilde  
Denmark  
Email: jravne@ruc.dk  
Tel.: +45 46 74 28 67
References


Cooper, A.C. (1979): “Strategic management: new ventures and small business”. In Schendel,


Reuber, R.A. and Fischer, E. (1997): “The influence of the management team’s inter-
national experience on the internationalization behaviors of SMEs”, *Journal of International Business Studies*, 28, pp. 30–45.


