Experiential learning by network actors in the design and art business

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ABSTRACT

The paper discusses the role of experiential and entrepreneurial learning in the art and design business. Experiential learning is perceived to be a more appropriate concept than organisational learning for the study of micro-sized firms, especially in a network context. We maintain that learning takes place in the relationships of network actors, in everyday practices. Yet experiential learning always requires reflection on either personal or others' experiences. We also discuss the way the network's dominant logic affects the learning process and what is learned. Moreover, we emphasise the role of experiential learning in adopting the dominant logic and of identifying the key actors on entering a network and building a focal net. The discussion builds on two sets of data from art and design industries and on previous literature on experiential learning.

INTRODUCTION

Experiential learning is a crucial factor in creating competencies for firms, not only in the sense of training and building the capabilities of managers and employers, but also in relation to creating the ability to exploit the resources of the various network actors. This study is founded on previous research into small-firm learning and on learning in network relationships. We will be concentrating on micro-sized firms, often of only one person. Inter-organisational learning is crucial for such firms, as their own resources are extremely scarce.

The purpose of the paper is to provide new material for the debate on learning in a network context. We will therefore be taking a look at the way micro-sized firms learn in a network context; in particular, we will be focusing on the way entrepreneurs learn from their own and their network partners' experiences. We will also discuss the way entering a network and building legitimacy are related to the learning process. The theoretical contribution lies in the discussion and adaptation of the concepts "experiential learning" and "dominant logic" to the network context (see, for example, Moon 2000, Cope andWatts 2000, von Krogh and Grand 2000, Bettis and Prahalad 1995).

The study applies to design and art markets. Most of the firms in these industries are micro-sized and led by the owner-manager. Owner-managers have professional training, but only seldom business training; in order to survive, they need to develop their ability to exploit the skills and knowledge of their focal nets. It is difficult to define the quality of the products and services in these industries explicitly, since most of the product's value is derived from the "imaginary product", the artistic or design quality rather than the physical product itself. This imaginary quality is created through the interaction of the key actors within the industry (see Jyrämä 1999, Äyväri 2002). In order to survive and succeed, firms therefore have to be recognised as legitimate by other actors in the industry. Legitimisation requires a certain reputation: recognition as a "quality firm or producer" by the key actors in the industry.

This paper discusses the role of experiential learning in micro-sized firms operating in networks. The reports on design and art industries give numerous examples of the role of experiential learning as a key competence for the owner-managers to survive and operate a business.

First we will introduce the research design and describe the data collection and analysis. This will be followed by a brief overview of entrepreneurial and experiential learning in networks, elaborating on the ideas on reflection. The role of dominant logic and its adaptability to a network context will then be discussed. Experiential learning will be highlighted in entering a network and building up legitimacy by samples from the data. The role of learning from others will be examined mainly via data. Finally, we will elaborate the key ideas and present some suggestions for further research.

RESEARCH DESIGN

The research approach in the study is qualitative; our aim being to comprehend and illuminate the phenomenon – the role of experiential learning by network actors in the design and art business – through re-description and analysis. The word 'description' here carries a deeper meaning than normal, relating to realistic or constructivist rather than positivistic epistemologies (Easton 1995). Hence, we aim to "explain" by description, explaining here being understood as clarifying existing generating mechanisms rather than discovering causal relationships (Easton 1995, Tsoukas 1989).

The study draws on two sets of personal interviews collected for two separate studies (Jyrämä 1999, Äyväri 2002). The first study (Jyrämä 1999) consists of interviews with contemporary art gallery owners, artists and art experts. For this, 80 interviews were conducted in Finland, Sweden, France and Britain. The second study (Äyväri 2002) is a multiple case study presenting seven micro-sized firms in the design industry. Company reports, articles, reviews, statistics, etc., were used to supplement the data in both studies. The two studies concentrated on micro-sized firms in art and in design industries, respectively. In both of these, the role of experiential learning in network relationships proved to be an interesting and important factor contributing to competence building. The present paper takes a closer look at this factor in an attempt to discover how experience and learning from others are used in developing capabilities and a network identity.

The analysis proceeded in four stages; first each data was analysed separately in a different context. Experiential learning was revealed as an important factor. At the second stage, we discussed and furthered our knowledge of the data and relevant theoretical debate. At the third stage, having created a clearer picture of the theoretical concepts and discussion, we re-examined our data with "new eyes", and at the fourth stage, we discussed our findings and their relevance in relation to the re-examination of our data and our enhanced knowledge on learning theories.

AN OVERVIEW OF ENTREPRENEURIAL AND EXPERIENTIAL LEARNING

Literature on entrepreneurship and small business management emphasises the contextual nature of entrepreneurial learning (Dalley and Hamilton 2000, Gibb 1997, Johannisson 1996, Szarka 1990) and the importance of learning from experience (Carson and Gilmore 2000, Cope and Watts 2000, Deakins and Freel 1998). The small firm's learning can be located in the context of the firm's external relationships and of sharing and developing the collective and individual knowledge in the company (Gibb 1997). Araujo (1998: 318) shares the view by arguing that learning is inevitably implicated in the everyday collective practices responsible for the production and reproduction of organisations; it is also an ingredient in the practices linking the organisation to other actors. Such learning entails not only an adaptive process (in order to cope with change and to survive), but also the capacity to create and "bring out"

experience, rather than waiting for and learning from it (Gibb 1997, Deakins and Freel 1998, exploration and exploitation in organisational learning by March 1991). Gibb (1997: 19) refers to this as "generative" learning, describing it 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".

In a similar vein, Rae (2000) emphasises certain aspects of entrepreneurial learning: it means learning how to recognise and act on opportunities, how to organise and manage ventures (Deakins and Freel 1998: the ability to assimilate experience and opportunity). Entrepreneurial learning involves actively "doing" as well as understanding "what it is that works" and realising that one "can do it"; in entrepreneurial learning, knowing, acting and making sense are interconnected (Rae 2000).

We argue that entrepreneurial and experiential learning are two sides of the same coin. Learning through experience is a continuous process and affects every individual. Generally speaking, the distinguishing features of experiential learning are that it refers to the organisation and construction of learning from observations that have been made in some practical situation, with the implication that the learning can then lead to action or improved action (Moon 2000: 20). Kolb's experiential learning cycle model (see Figure 1) is cited widely by adult learning researchers.
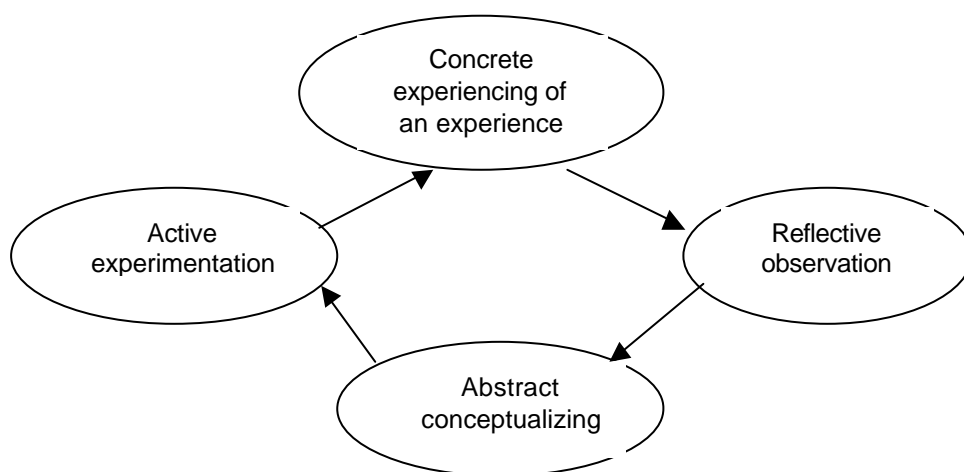

Figure 1.   Kolb's experiential learning cycle (Kolb 1984, ref. Moon 2000: 25)

According to Kolb's model, the most effective learning requires four abilities: concrete experience, reflective observation, abstract conceptualisation and active experimentation. It is important to note that there is no designated starting point for the cycle. However, learning is most effective when the learner goes through all the points (Petkus 2000) – learning is an extremely dynamic phenomenon.

Kolb's learning cycle has, like other "stage models", been criticised, since they seem to "tidy up" a process that, in reality, is a "messy" one with stages that are re-cycled and interwoven as meaning is created and recreated (Moon 2000: 34-35, Araujo 1998 and Rae 2000).

Reflection is presumed to have a key role either in experiential learning or in enabling it (Moon 2000: 21, see also Daudelin 1996, Rigano and Edwards 1998, Sullivan 2000). Reflection is the process of stepping back from an experience to ponder, carefully and persistently, its meaning to the self through the development of inferences (Daudelin 1996). Boyd and Fales (1983, Moon 2000: 27) see reflective learning as the key element in learning from experience as it makes "the core difference between whether a person repeats the same experience several times…or learns from experience in such a way that he or she is cognitively changed or affectively changed". Kolb's cycle suggests that reflection can act on experience in the form of perceptions of raw experience or on material already learnt (Moon 2000: 159). In our study, we adopt a broad definition of experience: it can mean a smaller or larger-scale event, even an unplanned occurrence. We emphasise that learning from both personal and others' experience can only occur through reflection. Otherwise, the same "mistakes" may be repeated and nothing learnt from them. Thoroughful reflection and abstract conceptualisation are also necessary prerequisites for exploitative learning (March 1991).

The following short case story (Table 1) illustrates how Kolb's cycle could be used to analyse an entrepreneur's learning process. For reasons of space, it is a very simplified one.

Our story shows that concrete experience evokes feelings that might influence reflective observation. The reflection phase usually involves discussion and elaboration on the experience and often also the drawing of parallels between personal and others' experiences. Abstract conceptualisation is the in-depth thinking phase: how do these experiences and the results of the reflection phase relate to our extant frameworks or

concepts (in this particular case, the firm's business and marketing plans)? Moreover, our real-life story proves that learning processes are seldom as "neat" as Kolb's cycle would suggest: in reality, different processes are interwoven and reflection occurs several times.

Table 1. A case story illustrating Kolb's experiential learning cycle

Mrs K.L is a new entrepreneur. She designs and markets cutlery and goblets of high quality combining traditional Finnish materials (clay, wood and birch bark) with modern design.	
Mrs K.L participated a few weeks ago a trade fair aimed for buyers of gift shops. She was one of the few newcomers that were invited to present their products as part of the advisory organisation's stand. However, no support was given to cover the fair fee. Yet, a booth with all newcomers would better bring forth the products.	
During the fair, Mrs. K.L received a lot of positive feedback on her products, packages and brochures. The happy atmosphere that started during the fair continued back at the workshop. The entrepreneur thought that the received comments proved that her products were appreciated. Many buyers of gift shops had asked her to call after the fair.	Concrete experience Reflective observation
After the fair, the entrepreneur sent offers and made contacts by phone. However, the optimistic atmosphere gradually disappeared when the buyers replied with regret that they did not have customers who would be ready to pay the asked price even though the products were magnificent. It appeared as if the costs invested in the fair participation would not pay themselves back. However, the orders received from nearby companies to purchase the products as company gifts tuned down the disappointment.	Concrete experience Reflective observation & a renewed reflective observation of the fair experience Concrete experience Reflective observation (on new orders from near-by firms)
K.L. discussed her experiences with colleagues in other design companies and with a consultant. The sales goals were changed to include only a few gift shops in the area of the capital where purchasing power was assumed to be the greatest. These outlets were to be identified by personal sales calls. Otherwise the business gift market was chosen as the main sales target.	Abstract conceptualising (changes in the business plan, i.e changes in the vision and goals: only few retail outlets, focus on the business gift segment) Active experiment (forthcoming personal sales calls)
K.L. shared her trade fair experiences with another crafts entrepreneur, this entrepreneur suggested participation to Gimme, the business gift trade fair, where he had participated for three years already. K.L then decided to participate in Gimme Fair in four months time.	Reflective observation (on another entrepreneur's experience) Abstract conceptualising (changes in the marketing plan: participation in Gimme Fair)

Experiential learning in the context of networks

Both entrepreneurship scholars (Deakins and Freel 1998, Gibb 1997, Johannisson 1996, Hill and McGowan 1996, Lipparini and Sobrero 1994) and researchers adopting an industrial networks approach (Bångens and Araujo 1999, Håkansson et al. 1999, Knight 1999, Araujo 1998, Håkansson 1993, Lundvall 1993) have discussed learning in the context of networks. Entrepreneurship literature emphasises personal networks. Hill and McGowan (1996) argue that their personal contacts are (for entrepreneurs), their only truly stable source of accurate information providing reliable guidance about an often turbulent environment. Johannisson (1995) identifies three aspects of ties in personal networks: social, resource supply and strategic. Social ties give social support and thus enhance the entrepreneur's self-confidence and the firm's legitimacy. Resource supply ties refine individual competencies and enlarge the firm's resources, and strategic ties in personal networks increase the entrepreneur's capacity to learn and unlearn. Strategic-type ties are needed to keep the business concept distinct and to indicate when to change as markets evolve.

Thus entrepreneurship researchers agree with the IMP Group researchers that network actors learn by personal experiment, by using the knowledge and experience of their counterparts, or by learning together from the knowledge and experiment of several actors (Håkansson 1993, Håkansson et al. 1999). In the network context, learning takes place at three levels: at the individual level, at the net level (or at the dyad, the triad level), and at the network level (cf. individual, group, and organisation level in Crossan et al. 1999). Lundvall (1993) discusses three types of interactive learning: technical, communicative and social. Learning in the context of networks cannot be restricted to new items of information or the substance of business operations. On the contrary, learning also covers social skills and practices, and the establishment of shared values (Lundvall 1993, Håkansson 1993: 215). Our discussion in the next section gives many examples of this aspect of learning.

Knowing the network practices, the dominant logic

Only by sharing the dominant logic, the business philosophy and the language of a network can a firm participate in the creation of knowledge. Owner-managers need to gain experience and knowledge of the network practices, the way of running a business. This includes attending the "right" social or business events, such as exhibition

openings or trade fairs, knowing which trade fair is the best, or the social occasions at which it is advisable to be seen. Knowing the "right" way to talk about business and products; for example, about art is important for the firm's legitimisation and image. The proper manners entail the adoption of the underlying values and norms specific to the industry. The values and norms are often tacit by nature and in order to acquire them, the owner-manager must therefore participate in network operations and create social ties with other network members (Håkansson and Snehota 1995, DiMaggio and Powell 1983, 1991, Crozier and Friedberg 1980, Johannisson 1995).

> " ... A thing like that, all those rules are unwritten, so you have to make your own, but in other ways you have to adapt to what is ruling the art world, it is part of the detective work, it takes a lot of time before you know, everything is very informal." (Gallery owner in Sweden)

> "... Most information that never becomes public... between people, informal... and this is where the basic decisions are made, the ones to which the media react." (Expert in Finland)

> "Everyone in Stockholm knows that if you are involved in the art world it is somehow important to be at the opening, in the right place at the right time." (Art teacher, Sweden)

> "It is important to build structured contacts instead of just inviting anyone you meet" (Gallery owner, Sweden)

> "Somehow I felt as though I was a professional at a professional fair and not at some Christmas sale." (Fashion designer, knitwear, Finland)

Institutionalised business practices also establish the criteria by which people discover their preferences and form their views, the way they create their mindsets or worldviews (DiMaggio and Powell 1991, Spender 1989, Scott 1987, Meyer and Scott 1983). There are thus similarities with the organisation's dominant logic. von Krogh and Grand (2000), for example, define the dominant logic as including the organisation's shared ideas of existing solutions and problems, representing the basic understanding of all the major corporate issues, such as what the business is all about. It also entails the beliefs of the criteria for legitimised knowledge and the given authority. Moreover, the dominant logic includes the ideology, the fundamental value system and the business philosophy of the corporation. The dominant logic therefore has basic assumptions similar to those of institutional rules.

Although debate on the dominant logic has operated mainly at the intraorganisational level, we argue that, as with institutional rules, it can be adopted to study a firm's relationships in a focal net situation where the members share and create knowledge together. Araujo (1998) discusses the place for learning: inside the company or in interorganisational relationships, in networks. He proposes: *"Knowing and learning are seen as collective accomplishments residing in heterogeneous networks of relationships between the social and material world, which do no respect for formal organisational boundaries."* The locus of knowledge creation and experiential learning is shifting from individual firms to networks or partnerships of learning (Powell et al. 1996, Lane and Lubatkin 1998, Seufert et al. 1999). In micro-sized firms, particularly, experiential learning can be argued as residing mainly in the relationships outside the firm boundaries, in the entrepreneur's relations with network members.

> Q: What have you learned? *"I think it was just gaining knowledge of what the international scene was, knowing how, knowing people. And I think a lot of it takes time. If you work for someone else, you gain that knowledge more quickly perhaps … you can build on the knowledge of someone else… but you have to make all the contacts yourself and you also have to make the decisions yourself…"* (Gallery owner in Great Britain)

von Krogh and Grand (2000) argue that knowledge and learning cannot be seen in isolation from the role of the dominant logic. The dominant logic influences the process of justifying or rejecting any new knowledge. In a way, it acts as a filter for the creation of new knowledge. It affects the learning process; which knowledge is returned and which is appropriated into the knowledge "stock" (see also Reuber and Fischer 1999). Lane and Lubatkin (1998) also emphasise that the similarity of firm's knowledge bases, organisational structures and dominant logic plays a crucial role in enabling interorganisational learning. Only when firms (entrepreneurs) share a similar dominant logic and thus have similar ways of perceiving data and viewing the learning process can they successfully learn from one another's experiences. The dominant logic is reproduced and accepted, since individuals often cannot even conceive of any viable alternatives.

In a similar vein, Bettis and Prahalad (1995) discuss the concept of the dominant logic of an organisation. They present the dominant logic as a kind of a filter through which data enters the company: it directs what is perceived as important, as information, or

valid knowledge and hence it affects the way the organisation learns, guiding the learning towards information in line with the dominant logic and rejecting any that does not correspond to it. They propose that for a company to change, it needs to reflect on its dominant logic and underlying beliefs – and only through this "unlearning" process is it able to change. The studies by Bettis and Prahalad (1995) revealed that unlearning usually occurs only after a major crisis. We propose that knowledge is created and shared in the network relationships, in everyday activities (Figure 2).
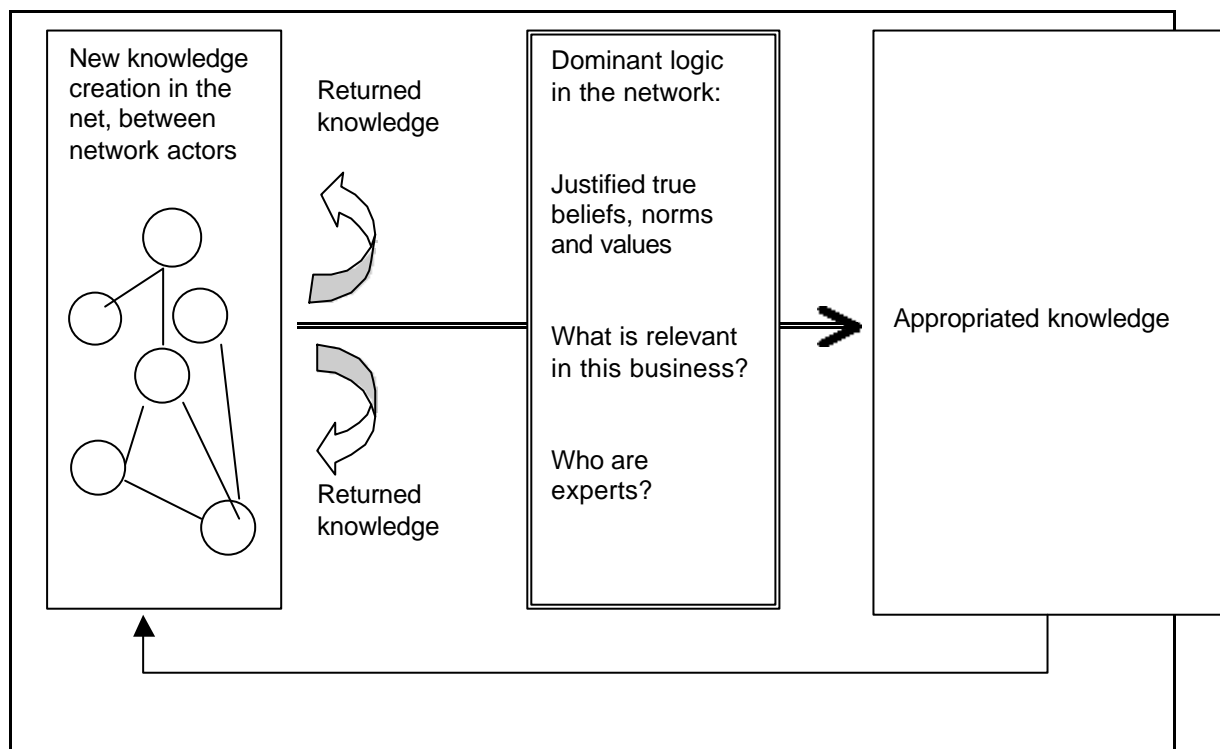
**Figure 2. Dominant logic and knowledge creation in a network context
(modified from von Krogh & Grand 2000: 21)**

Members learn both from their own and from others' experiences. The new knowledge is reflected upon and the process of reflection is constrained by the dominant logic of the network. The dominant logic includes ideas on what is business, what is relevant, the problems and possible solutions, who to listen to, and the underlying values and beliefs. The new knowledge then merges with the existing. Knowledge creation and experiential learning go hand-in-hand; new knowledge cannot be created without

learning and reflection. Learning and knowledge creation are an on-going process: previous experience and learning will affect the future learning process.

This everyday knowledge creation does not necessarily change the underlying beliefs, but it can create new knowledge and new insights in line with the dominant logic. Sometimes, however, the dominant logic can change incrementally as new beliefs gradually gain a foothold in members' minds. Yet, the more revolutionary changes in the dominant logic usually only follow a crisis and can be viewed like a change of paradigms (Bettis and Prahalad 1995, von Krogh and Grand 2000).

 It was, for example, discovered that the way in which galleries operated had changed as a result of an economic crisis from paying an artist a salary to individual commissions. The change was necessary for survival and created a new dominant logic for galleries in their mode of operation and relations with artists. An example of a gradual change could be the young galleries organising openings together with open parties. The change had not, at the time of the study, been fully justified, but it was gradually gaining acceptance. Furthermore, sharing a dominant logic implicitly affects the way galleries and art critics react to new trends in art and their definition of quality in art:

> *"It is business knowledge. In every business you develop a sense of what constitutes good quality."* (Gallery owner in Sweden)

> *" ... There are those (galleries) that can be taken seriously and those... well let's say there are those which are serious and those which come and go"* (Gallery owner in Finland)

Håkansson and Snehota (1995) describe the way networks operate, are maintained or changed as being subject to routinisation and constrained by institutional rules. The institutional rules and the business practices created by routinisation are often seen as the legitimate and "the best" way to run a business; proper manners are similar to the recipes for industry: the accepted way of doing business in a given industry or market. The recipe requires a knowledge of the underlying beliefs and conventions and the right connections for receiving information (Grinyer and Spender 1979, Spender 1989). Hence, industry recipes can act in the same way as the dominant logic; guiding the way business is conducted within a particular industry, or rather a particular network. . In a similar vein Crossan et al. (1999) describe the institutionalisation stage in learning process. They propose that prior learning becomes embedded in the organisation and

begins to guide the actions and learning of organisational members. The learning that becomes institutionalised has gained a certain degree of consensus or shared understanding among the influential members of the organisation. The institutionalised beliefs usually endure for a period of time. The institutionalised learning can be perceived similar to dominant logic. Also, March (1991) describes organisational codes and the socialisation process that have somewhat similar aspects to dominant logic, constraining and guiding the learning. However, March seems to see the organisational codes as a subject that learns and changes whereas in dominant logic, the individuals are the subject that either replicate or change the dominant logic.

Building a focal net and gaining legitimacy

For an entrepreneur, experiential learning is vital in order to enter a network and build a focal net. The newcomer needs to acquire knowledge of the key actors, in short, who to co-operate with and who not. This is important as regards all members of the focal net: customers, distribution channels, partners, etc. The choice of focal net actors affects the firm's everyday business (can the distributor be relied on to pay his bills, for example) but also its ability to gain legitimisation and a good reputation within the industry. To give an example; the choice of artists to be shown indicates the quality of an art gallery, or the choice of a retail outlet reflects the image of a design firm (Jyrämä 1999, Äyväri 2002; Lane and Lubatkin 1998 on partner choice).

> *"I would have to check the gallery before I could let my artist have an exhibition there."* (Gallery owner in France, Sweden and Great Britain)

> *" ..I have informants… by profession one sits in the middle of the web, and once these people are phoning you, saying so and so is resigning from so and so, but I don't consider myself to be particularly well informed about the inner workings of the art system in Britain because I'm on the outside of it."* (Art critic, Great Britain)

> *"Having one's products in good and respected shops always says something… When I say that I have products on sale at Design House, it gets around."* (Textile designer, Finland)

> *"It is important to the company image to have such partners. It shows that one is capable of this kind of activity and cooperation."* (Textile designer, Finland)

> *"With it [the brand, the image of the product and designer] one gets into good stores if it is well built and credible."* (Fashion designer, Finland)

The legitimisation process in the art and design industries is important, since the product's value is based on a reputation created interactively by the network actors. Legitimisation and the acquisition of a certain reputation enable the firm to survive and succeed. The proper manners; for example, the proper practices, are a means of distinguishing a "serious gallery" from a "non-gallery". It seems to be more important for newcomers to follow these rules, as their status and position within the field's hierarchy can still be questioned (Jyrämä 1999). Legitimisation can be seen as a prerequisite for a desired network position.

> *"You can lose your reputation in a minute. For example, if I had someone employed here and he or she were with someone who knows the artist's work and starts to talk about the painting in a horrible way, the visitor sees that immediately…it is sometimes better not to talk, because the visitor knows more."* (Gallery owner in Sweden)

> *"When I attended a trade fair in Finland for the first time, I noticed that I had been placed among the stands of Indian t-shirts. I started to gather other design entrepreneurs around me. We contacted the fair organiser. … We were able to talk him into giving us our own section at the fair, under a magnificent, white shelter under the name Designers' Collection. Now we are negotiating the same procedure with the organisers of the Copenhagen fair."* (Fashion designer, Finland)

The role of experiential learning in network relationships is an important one for micro-sized firms. The owner-manager aims to gain access to new knowledge by participating in network activities. In order to enter a network and build a focal net, he or she needs to adopt the network's dominant logic and learn to identify the key actors. By creating the right relationships and adopting the right way of conducting business, the firm aims to gain legitimacy and acquire a good network position. These enable the firm to survive and succeed in business.

Learning from others' experience and knowledge and learning together

All the case firms in the study by Äyväri (2002) have very versatile relationships with a variety of network actors (such as members of the marketing channel and other customers, suppliers, production partners or subcontractors, other owner-managers in the same industry, consultants and other advisors, family, relatives, friends and colleagues). For art galleries, the focal net consisted mainly of actors within the art field (artists, art critics, customers/collectors, museum curators, other galleries, etc.) (Jyrämä

1999: 111). In our analyses, we focused on the actors in each entrepreneur's focal net and their experiences and knowledge as a basis for enhancing the focal actor's capabilities and competence.

Retailers and other members of the marketing channel

Small and micro-sized firms have neither the economic resources nor the special know-how to carry out research yielding information on markets, customers' needs and the competition. Feedback from marketing channel members is therefore extremely valuable and in some cases vital for survival. Our examples illustrate the three steps of technical learning identified by Lundvall (1993). The first step in technical learning by the producer is awareness of user needs. The second is understanding how the producer's competence can be transferred to specific aspects of the product to meet these user needs. In other words, reflection and abstract conceptualisation are needed. The third step is feedback on users' experiences; i.e. after active experimentation, the producer has to reflect again on users' experiences.

> *"Well, Mrs. M.T. from the shop in Helsinki has told me about the changes customers have requested in my vests. I told her I will make a waistcoat that is a little bit different, but I may change the whole waistcoat. I make these products for the customers, not for my own collection."* (Fashion designer, knitwear, Finland)

> *"The new agent always lets me know what the market expects right now."* (Textile designer, women's wear, Finland)

> *"[About the retailer:] Knows her customers, and what to sell to whom. Close cooperation with these strong women is great. When I took the linen collection, I asked this woman from Jyväskylä what she thought about it. Was it worth marketing a new collection?... 'Yes, I'll buy it,' was the answer."* (Textile designer, women's wear, Finland).

> *"At the beginning, especially, I used to listen to all the comments very carefully because I felt insecure as an entrepreneur. The retailers gave me lots of feedback: 'Would it not be better this way?' and then we tried something. It was really useful."* (Textile designer, Finland)

> *"[About openings] ... we organise them just as our partner, the artist, wants."* (Gallery owner, Germany)

Production partners, subcontractors

All the focal actors in the qualitative case study (Äyväri 2002) were professional designers. When they established their own businesses, they all had the same vision: most of the production would be done by small owner-managed subcontractors. Some focal actors give their subcontractors (e.g. weaving, sewing and knitting firms) detailed instructions and do not seem to be interested in assimilating their subcontractors' experience and expertise. Yet, there are many examples in our data to indicate that both focal actors and their production partners can learn together, and that new product development projects are often joint learning processes.

> *"Whenever I have decided to launch a new product model, the sewer and I have to discuss and think about how the product should be sewn, and so on. With the old product we both get steadily more skilful and we can produce more in the same time. The sewer can sew and I can paint the patterns on more quickly."* (Textile designer, Finland)

> [Q. Do the sewers give you development ideas, such as how a seam could be done differently from what you had planned?] *"Yes, quite a lot. It is useful for ideas to travel in both directions. Two-way information is essential in product development like this. In many cases I trust the sewers, who are able to grasp the whole product concept, its manufacturing process, technical matters and the handling of the materials. I get good feedback and development ideas from them."* (Fashion designer, women's wear, Finland)

> *"[About the planning of a new fabric collection...] Esko [the owner of the production partner, i.e. the weaving factory] was involved in it a lot when he said that there were a few options too many. I would have made a hundred fabrics very willingly. He said that I should take it easy and choose only a couple of the many options because it was crazy to have so many fabrics. Now we have five different warps, six different patterns plus the colours. It has been fun but maybe I will learn something from this."* (Textile designer, Finland)

Consultants, advisory organisations, educational institutions, etc.

In Finland, small and micro-sized firms are often offered subsidised consulting services as part of EU-funded projects. These services, provided by private consultants or advisory personnel in public organisations, help entrepreneurs to develop their capabilities as business managers. In the art market, gallery owners frequently use the expertise of, say, an art critic or art school teacher when looking for new artists to include into their exhibition programme (Jyrämä 1999).

"I have "a business godfather" with whom I go through what has been done and what should be done." (Fashion designer, knitwear, Finland)

"I talked to the marketing consult about who we should send the press release to before the fair and he checked the bulletins I'd done and advised me what to do." (Fashion designer, knitwear, Finland)

"I have a consultant in France with whom I have recently started to discuss my business. The discussions have been very useful for me. I have got all the advice on which fairs to go to there and so on from him. I'm now beginning to be like a professional." (Textile designer, Finland)

"Teachers sometimes advise on new artists: who to show at the gallery)." (Gallery owner, Sweden)

"We get tips from art critics and others in the arts, from teachers on new talents." (Gallery owners, Finland and Sweden)

[Q. How do you find your artists?] *"Mostly by word of mouth, from other artists talking about their friends... you get recommendations from curators or critics..."* (Gallery owner, Great Britain)

Other entrepreneurs in the same field

Numerous examples in our data confirm the tendency to proceed "from competition to collaboration". Entrepreneurs share their experiences and views, especially about marketing-related issues; trade fairs, retailers, advertising or package design. Some work closely together even in product development by offering joint "product packages" to mutual customers. One group of fashion designers markets together, under the umbrella name Designers' Collection. Together, they have been able to gain a stronger network position and a strong image of professional designers of top-quality fashion wear for women. In the art market, groups of galleries in Sweden and France began collaborating in various ways to find new customers (Jyrämä 1999). Joint activities create new opportunities for joint learning for the members of the net.

"At trade fairs we chatted about how things are going and which fairs people have attended, and whether it was a good fair. In other words, this kind of interaction is always going on with those you know and even with those you don't know in advance." (Textile designer, knitwear, Finland)

"The only place where I have agreed to sell on commission is Little Clown, owned by Mrs. O. E. Other craft entrepreneurs have told me about her and that she sells really well. She works hard to make the goods sell well." (Designer, carpenter, Finland)

"Yes, I do get hints about retail outlets every now and then. Colleagues say, hey, why don't you try, if you don't have your products on sale at…" (Textile designer, Finland)

"We (gallery owners) have noticed that we have a lot in common, a common field and we can co-operate… we have joint ads and we are working on ethical rules on how to conduct business." (Gallery owner, Finland)

"…A group of five galleries which work together, … we have started evening walks for companies to find new customers. This is collaboration but of course we are competitors…" (Gallery owner, Sweden)

Members of the entrepreneur's personal network: family, friends and acquaintances

The close personal relationships (family, best friends) of an owner-manager fulfil a very important function; they keep the entrepreneur "going" by giving support and encouragement (Johannisson 1995). However, the members of the personal network are also important sources of information about potential focal net actors, production partners, raw material suppliers and customers. Moreover, they carry out versatile business-related activities and thus widen the resource base of the micro-sized firm. These activities offer numerous learning opportunities for the entrepreneur.

"Well, a translator has done work for me as a friend although I told her that I would make it up to her. She translated the texts of the brochure and if I have sent something to England. She has checked my English." (Fashion designer, knitwear, Finland)

"I was looking for a metal firm that makes top-quality moulds … I knew a fellow who is my husband's friend. I asked him if he knew such a metal firm. He said that he was just on his way to one, Savira. He picked me up and thanks to that visit I got a partner straightaway." (Designer, carpenter, Finland)

"My husband is the supporter number 1. He has a good command of all the business procedures and calculations and knows what profitability means. But whether I believe what he says or not is a different matter… (laughing). I have to say quite frankly that I would not have taken up this job, my own business, without his support." (Textile designer, Finland)

> *"I have got lots of help from Tuija [sister] in dealing with the official side, writing documents, correspondence, translating. She can speak many languages and knows how to make things sound smart and friendly on paper."* (Textile designer, Finland)

> [Q: How do you keep yourself informed about what is happening in the arts?] *" ... You ask your friends, your colleagues... news travel fast..."* (Gallery owner, Great Britain)

Our data shows that business-related activities are deeply embedded in these personal relationships. Hence our results support the claim made by Johannisson and Monsted (1997), *"Running a business is as much an existential as a commercial project."*

CONCLUSIONS

The company and the owner-manager are often one and the same in micro-sized firms; they cannot be separated. The manager's individual skills and competencies, his/her personal ability to create and maintain relationships are therefore important and vital for the survival of the firm. It may be argued that the owner-managers of micro-sized firms need to be proactive in using the skills and knowledge of focal net members in all aspects of running the business; in industry-specific knowledge and in learning business practices (Hill and McGowan 1996). The owner-managers use both their business relationships and their personal networks to acquire the competencies required. On starting up in business, the owner-manager often relies on his/her personal connections.

The theoretical contribution of this paper lies in the application of the experiential learning concept to an analysis of the learning process in micro-sized firms in a network context. Most previous studies have used organisational learning as a frame for analysis. However, for micro-sized firms, whose learning mainly takes place outside the company borders, the organisational learning concept seems to exclude this key factor from the analysis (Deakins and Freel 1998). Further, many organisational learning studies view learning as a transfer of knowledge, whereas we here regard knowledge creation as a social process taking place in network relationships. The experiential learning concept emphasises the process nature of learning and co-constructing new knowledge rather than just transferring new knowledge from one stock to another.

Including the notion of the dominant logic in the network context also adds to our understanding of the nature of the learning process and knowledge creation. The role of

the dominant logic as a constraint and an enabler of communication and shared activity is vital. We argue that the dominant logic can be adapted to a network in which the members co-operate closely and create new knowledge through joint activities. It is vital to learn the dominant logic that enables communication and to identify the relevant aspects of business. The newcomer building a network position needs to realise that the actors with good network positions have adopted the dominant logic and implicitly require knowledge of it when sharing practices and building relationships with new members.

It must be emphasised that in order to be able to learn from the focal net and from other contacts, the entrepreneur needs good social skills. Only by creating good relationships by good social skills can the owner-manager gain access to different networks and hence to the competencies and knowledge of other network actors (Ylirenko et al. 2001). Being able to share one's own experiences and build on others' – the ability to communicate and create relationships; i.e. social competence, is therefore of the utmost importance. Nahapiet and Ghoshal (1998) present a model of the role of social capital in creating new knowledge. Their idea of a cycle in which social capital enables knowledge creation and learning which then engenders further social capital, thus creating a self-enforcing cycle, merits more attention. However, they seem to include in the social capital concept, values and beliefs classified by us as the dominant logic.

We propose that a mentor system should be created for micro-sized entrepreneurs in order to enhance owner-managers' proactivity and to help them reflect on their own and others' experiences. The mentor would help by placing his/her experience at the disposal of the entrant and by providing an "enlightened" listener, thus enhancing the reflection process. The mentor would, furthermore, supply his/her own experiences and knowledge of the dominant logic; the salient features of the business and the experts with whom to co-operate (Sullivan 2000, Deakins and Freel 1998).

Let us conclude with some suggestions for further research. The notion of feelings is often neglected in business studies, yet we propose that feelings may act in the same way as the dominant logic, either inhibiting or enabling learning. In micro-sized firms, particularly, where the business is often "very close" to the entrepreneur's heart and where personal identity and the business are intertwined (especially in design and art industries), feelings can play a major part in; for example, focal net building or directing

the path of action – what is learned or unlearned (see the discussion on emotion and reflection in Moon 2000, 94-95).

It would also be interesting to see whether cultural differences affect the dominant logic in similar industries in different countries, and if they do, what the consequences are. Jyrämä (1999) found that contemporary art galleries seem to subscribe to somewhat similar beliefs, values and norms; i.e. the dominant logic, across national borders. The study was made in a European context which may explain the similarity of the dominant logic. It would be interesting to see whether cultural differences really do have a role to play by comparing networks within the same industry, but in completely different national cultures, or whether the industry characteristics (art, design) influence the shared beliefs and values, creating a similar dominant logic even within completely different cultural contexts. We propose a study of art and design industries comparing their business practices in Western, Asian and African cultures.

It would also be useful to study the role of the dominant logic in the context of critical incidents. As was mentioned, the dominant logic often changes in times of crisis, and extensive learning can thus be assumed to take place (Bettis and Prahalad 1995). Moreover, the critical incidents usually entail the notion of making mistakes and the common belief is that one learns most from one's mistakes. A study of the learning occurring during critical incidents could therefore be beneficial. It has also been suggested that critical incidents are emotionally laden experiences (Cope and Watts 2000), hence it would be interesting to study change and learning in micro-sized firms, where feelings seem to be important.

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