

Leadership Experience and Organizational Learning

Hakan Ener

PhD Candidate in Strategic Management

INSEAD Business School

1 Ayer Rajah Avenue, Singapore

Email: hakan.ener@insead.edu

Phone: +65-82-86-61-64

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Abstract: How does leadership experience influence organizational learning and performance as firms develop new lines of business? Conventional wisdom is that greater experience among the firm's top executives enhances firm performance. In this study, I present large-scale empirical evidence suggesting that this widely held assumption is often misleading, and that firms with highly experienced leaders are actually more likely to underperform as they develop new businesses. Empirical support comes from a detailed examination of more than a thousand top executives' career experiences in the US biopharmaceutical industry. Using fine-grained longitudinal data to measure executives' career experiences within each of the industry's therapeutic domains (such as cancer or heart disease), I find that firms with highly experienced executives rapidly achieve initial drug development project milestones after entering a new therapeutic line of business, but lose their competitive edge in subsequent years. The findings suggest a renewed understanding of how top executives' leadership experiences relate to organizational performance. Practical implications include making timely changes in the leadership team's composition of experiences, and cultivating organizational leaders who effectively leverage their managerial expertise.

Keywords: Experience, Top Management, Organizational Learning