

**Case Study on Gaining Competitive Advantage  
through Building Learning Organization in  
Small Businesses of Service Sector in China**

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of MA in Human Resource Management**

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# Abstract

## Case Study on Gaining Competitive Advantage through Building Learning Organization in Small Businesses of Service Sector in China

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As seeking and keeping competitive advantage is the priority of any organization to survive and grow in the rapidly changing world, the research is aimed to explore utilizing the strategy of building learning organization to gain and sustain competitive advantage. The vigor and dynamics of small businesses in service sector in the context of China where the market is full of diversity and potential become the perfect research subjective to probe into whether and how learning organization can be a source of competitive advantage. Meanwhile, there is also a literature gap on small service-sector businesses in China in this sphere where the research can fill in.

Case study has been adopted as methodology to fulfill the research objective and sub-objectives. In order to acquire solid data and information, the researcher conducted eight interviews in a small company based in south of China. The case company is operating in edible bird nest sales and services. The eight interviews were semi-structured and implemented online. The interviewees included four people from the management and four employees.

The research has found that learning organization as a concept has been understood and harnessed by the Chinese entrepreneurs as a way to stay competitive in the market. The position and function of leadership has been emphasized in building learning organization. Among all the measures adopted by the case company, the online learning group is believed as the effective, as it integrates branding with learning through inviting customers to join the learning group. The point is important for the small businesses which are trying to occupy a market place and obtain more market shares.

The research suggests that companies should tailor the learning organization strategy for their specific situations, foster the learning climate by emphasizing leader learning effect, cultivate the potential of online learning group to promote learning and branding, and strategically implement the human resource activities and schemes to source and develop the talents who are willing to learn and capable to transfer knowledge into practices.

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# Chapter 1 Introduction

For all companies and organizations running businesses on the planet, the operation priority is to stay competitive in the market in order to survive and grow their businesses in this fast changing world, as what Porter (1985) indicates is that competitive advantage is the heart of an organization's performance in a competitive environment. The research is focusing on small businesses in the service sector in China. As the astonishing growth rate in China has claimed her powerful economic position in the world, the current slowdown is particularly under the spotlight and will be a critical economic feature of the global landscape (Walker, 2015). Except agriculture, mining, manufacturing, utilities and construction, all sectors fall into the category of services in China, covering a wide range of activities towards consumers and businesses, such as sales, hotels, consulting, finance and etc., this slowing growth situation has made Chinese policymakers recognize the important role of service sector as an engine of development to benefit the national economy (Rutkowski, 2015). The previous great contribution made by service sector to the stunning economic growth cannot alleviate any concern for the recent situation of this sector which has slowed to a crawl since 2015; thus, the policymakers need to gradually implement reform and reduce restrictions in service sector (Scutt, 2016). However, in addition to the government intervention, especially for the small businesses which have rapidly developed since the implementation of open-up policy in 1978 and produced great contribution to China's spectacular growth (Chen, 2006), and account for 99% of the 10.3 million registered companies in China (Li, Armstrong and Clarke, 2011), are they able to stay competitive to survive the economic setback at organization level?

Since the term of learning organization was proposed by Senge (1990), the concept has received intensive attention from academia and business world. Becoming a learning



organization in order to stay competitive has been elaborated, assessed and proved by a number of prominent scholars and researchers from the fields of management, psychology, education and etc. (Popper and Lipshitz, 1998; Vorhies and Morgan, 2005; Ordóñez de Pablos and Lytras, 2008; Gronhaug and Stone, 2012; Farrukh and Waheed, 2015). “Learning is at the heart of competitiveness; this cannot be overstated” (Gronhaug and Stone, 2012). Particularly when organizations face a fusillade of challenges arisen from the turbulence of the current environment, they are required to keep learning to deal with the dynamic change, and only when you can learn faster than your competitors do, you can gain competitive advantage to keep going; therefore, building and developing learning organization is an effective way to facilitate organizations to maintain and increase competitive advantage in business world (Farrukh and Waheed, 2015). Literature on competitive advantage and learning organization is thoroughly reviewed in Chapter 2 to provide a strong theoretical background for the research and identify the gap which the research has filled in.

Considering the current anxiety-ridden economy in China and the situation of small businesses in service industry, therefore, the research is motivated to be conducted to argue if such small businesses are capable to gain competitive advantage through becoming learning organization. Although there have been tremendous amount of researches conducted on learning organization or organizational learning, even in the context of China, such as the one by Zhang, Zhang and Yang (2004) for Chinese state-owned enterprises, the ones by Wang, Zhang and Gao (2010) and Qiu and Wang (2010) for public sector, and the one by Huang and Shih (2011) in a Taiwan context, there is a literature gap to present the possibility and validity of service-sector small businesses in China to stay competitive by building learning organization. The aim of the research is to fill the gap by examining the prevailing studies on competitive advantage and learning organization, demonstrating how learning organization can be a source of competitive advantage, analyzing the current condition of small service businesses in

China and proposing what measures such organizations can adopt to achieve it. The general objective and sub-objectives of the research are described in Chapter 3.

As the Chinese scholars in this area confirm the scarcity of empirical case study (Chen, Ning, Li and Zhao, 2010), thus the research is case based. Case study has been chosen as the research strategy. With prudent selection and careful consideration, Guilin QiYanGe Catering Service Management Ltd., Co., (hereinafter referred as QYG) was confirmed as the case company for the research. The case company is mainly operating in edible bird nest sales and services in Guangxi Province, China. As a young company, QYG is facing a number of challenges in the industry and has selected and implement the strategy of building learning organization to gain and sustain competitive advantage in the rapidly changing market. The profile of the case company is depicted in the Appendix I. Data used for the research were mainly acquired through eight interviews, including four from the management and four from the employees. The relevant interview consent form and interview transcript are attached in Appendix II and III. The methodology adopted by the researcher is elucidated in Chapter 4 to justify why the choices made by the researcher are the most appropriate ones for the research.

The findings of the research which were observed and identified from the interviews respectively implemented for the management and the employees show that learning organization has been recognized by the entire case company as a fundamental way to obtain and sustain their competitive advantage. The management is fully aware of the significance and position of leadership in building learning organization and suggests that financial support is critical particularly for small businesses in the context of China. The employees interviewed believe that online learning group is the most effective measure adopted by the company, as it creatively combines learning and branding by inviting customers to join the learning group. The details of findings are represented in Chapter 5 and discussed in Chapter 6.

The main conclusion drawn for the research, the recommendations proposed for the practitioners in small businesses in service sector in China, the implementation plan, the limitation of the research, and the call for future research are detailed in the final Chapter 7.

# Chapter 2 Literature Review

## 2.1. Introduction

Competitive advantage is the heart of an organization's performance in a competitive environment (Porter, 1985). There is no way to emphasize further the significance of creating and sustaining competitive advantage by organizations, particularly in current economic world where is turbulent and capricious; then the question of how organizations understand the sources of sustained competitive advantage and generate and sustain competitive advantage has become critical and fundamental in the research category of strategic management (Porter, 1985; Barney, 1991; Rumelt, Schendel and Teece, 1994; Teece, Pisano and Shuen, 1997; Henry, 2011).

Strategic management has evolved to a point that its critical value lies in facilitating firms to stay competitive in a complex and dynamic environment; and operating in such an environment has forced companies to recognize a fact that a permanent competitive advantage does not exist anymore and any sustainable competitive advantage only lies in deploying strategic short-run thrusts (D'Aveni, 1994; Wheelen and Hunger, 2012); thus, strategic flexibility which enable firms to shift from one strategy to another must be developed (Lau, 1996) and it demands the long-run commitment to grow and nurture critical resources and the establishment of learning organization skilled at four activities in terms of systematically solving issues and problems, new approach experimentation, learning from themselves and others, and quickly and effectively transferring knowledge within the organization (Garvin, 1993; Senge, 2006; Wheelen and Hunger, 2012).

Therefore, it is necessary to present the theoretical frame for the research by examining and reviewing the theories and models related to learning in the field of strategic management, the definitions, characteristics and nature of learning organization as well as the relevant studies in China. In this section of literature review, the need to provide

the academic background and identify the theoretical gap for the research will be mirrored by elaborating the following: a) theories and models related to competitive advantage; b) research on learning organization; c) how to build learning organization in China; d) small businesses in China; and e) current study on learning organization in China.

## **2.2. Competitive Advantage in the Sphere of Strategic**

### **Management**

Strategic management is defined as an array of managerial decisions and processes which leads to the achievement of the organization's goals and determines its long-term performance (Jauch and Glueck , 1988; Wheelen and Hunger, 2012). It has been proved by a number of researches to indicate the outperformance of the firms which deploy strategic management in competition with their rivals who do not (Miller and Cardinal, 1994; Pekar and Abraham, 1995; Hopkins and Hopkins, 1997; Andersen, 2000; Tegarden, Sarason, Childers and Hatfield, 2005; Wirtz, Mathieu and Schilke, 2007). The top three benefits of strategic management rated by approximate fifty organization in different countries and industries include clearer sense of firm's strategic vision, sharper strategic focus, and enhanced understanding of quickly changing environment (Wilson, 1994; Wheelen and Hunger, 2012).

It is agreed that the function of strategy is to realize competitive advantage for organizations, while what is not agreed is how competitive advantage to be realized, regarding the process of accomplishing the strategy, due to the shifts of the approaches to strategic management based on the increasingly changing and dynamic economies in modern world, which can be briefly summarized as the initial corporate planning in 1950s and 1960s focusing on budget control, the diversification through entering new markets in 1970s, Porter's corporate positioning theory by analyzing the competitive forces within industries in order to gain competitive advantage in 1980s, the resource-

based view (hereinafter referred to as RBV) emphasizing the resources and core competences within firms in pursuit of competitive advantage in 1990s, and then the perspective of hyper-competition which requires organizations to adapt to turbulence and learn from it (Henry, 2011). Moreover, this evolutionary process of strategic management is practically driven and stimulated by business' demands on maintaining control in 1960s, dealing with increased international competition in 1980s, emphasizing on resources and capabilities within firms in 1990s and facing the new challenges in 21st century which make the competitive advantage transient in volatile markets (Grant, 2016). It should be noted that the shift from corporate planning to strategic management was reflected in a debate between people focusing on rational planning and those advocating the school of learning organization to argue that strategy can be understood as a choice based either on powerful and rational analysis or on learning processes; and ultimately strategy should be viewed as learning processes (Stacey, 2011). Countless ties between learning and strategy are shown in various models and theories, in which the particularly influential ones are reviewed below.

### **2.2.1. Model of Five Competitive Forces**

Porter (1979, 1980, 1985) proposes the influential model of the Five Competitive Forces in terms of the threat of new entrants, the bargaining power of buyers, the threat of substitute products or services, and the bargaining power of suppliers, and indicates that it is essential for strategy formulation is to cope with competition in an industry which intrinsically comes from the underlying economics of the industry, thus understanding the five forces can facilitate firms to position themselves against unfavorable forces within their industry and hold the position through strategy implementation which enables them to effectively compete with rivals.

Porter's framework is rooted in the structure-conduct-performance industrial organization model which claims that market performance comes from strategy and in turn relies on market structure (Smith, 1960; Henry, 2011) Grant (2016) describes the

purpose of this emphasis on market selection and competitive positioning is to maximize organization's performance and profitability. As Henry (2011) states that research findings are controversy, because they can be both accepted and contested, Porter's framework is criticized as a static analysis tool which needs to be more dynamic to suit today's changing world. Prahalad (2000) argues that strategy should help organization influence, shape and create industry space, instead position in a given environment; the similar opinion is also hold by Waterman (cited in Porter, Argyres and McGahan, 2002) using an analogy based on ice hockey that firms need to "skate where the puck will be" rather than to where it is. Porter defended himself at an interview in 2002 to argue that the framework varies as time goes and helps to identify if the industry changes are important; and for the comment of ice hockey analogy, he indicates that successful firms deploy consistent strategy to define "where the puck is" (Porter, et al., 2002). However, Teece, et al. (1997) ascertain that the five-force framework offers a systematic approach to considering the way of competitive forces working at the industry level and the way of these forces determining the profitability in different industries. Moreover, Goett (1999) states that Porter's framework of five competitive forces will stay strong until some researchers could develop and formulate a strategy model which is as elegant as his.

### **2.2.2. Concept of Hyper-competition**

Unlike Porter's framework of five forces assuming competition determined by industry structure and then yielding profits, the Austrian school of economics regards competition as a dynamic process which the industry structure keeps changing all the time; so this perspective puts forward an issue whether the constantly changing industry structure produces competitive behaviors or is determined by them (Jacobson, 1992; Young, Smith and Grimm, 1996). Grant (2016) points out that the industry structure change speed is the issue, as if the structure changes quickly, then the five forces framework fails to be a stable basis to predict or determine profitability and

competition. According to the concept of hyper-competition which competitors must react quickly to obtain advantages and defeat the rivals, the industry structure is unlikely as stable as before, so the competitive advantage can only be temporary (D'Aveni, Gagnino and Smith, 2010). D'Aveni (1994) further argues that the current industries are generally characterized with hyper-competition which requires a fundamental shift in coping with the constantly changing environment, as firms can no longer establish sustainable competitive advantage; and he proposes the "7S" framework based on an approach to identifying and establishing temporary advantages, rather than sustaining and maintaining them. The "7S" include superior stakeholder satisfaction, strategic soothsaying, positioning for speed, positioning for surprise, shifting the rules of the game, signaling strategic intent, and simultaneous and sequential strategic thrusts; and the framework is adopted to direct and guide firms to learn how to defend and point out the right direction (D'Aveni, 1994). Kessler (2013) points out that recent studies express the need for better understanding the concept of hyper-competition, and this renewed interest calls for future research on competitive dynamics and further exploration of the increasing role of small businesses. Wheelen and Hunger (2012) suggest that, in order to handle the uncertainty from the perspective of hyper-competition, dynamic capabilities should be developed within organizations. The details about the concept of dynamic capabilities will be discussed in later section.

### **2.2.3. Theory of Resource-Based View (RBV)**

The resource-based view (RBV) was originally proposed by Wernerfelt (1984) and disseminated by Barney (1991). All assets, organizational processes, capabilities, attributes, information, knowledge and etc. controlled and utilized by a firm are called as firm resources (Daft, 1986) which are the strengths used by firms to construct and implement strategies (Porter, 1981) and the attributes can facilitate a firm to carry out strategies which can enhance the firm's effectiveness and efficiency (Barney, 1991). There are three categories of numerous firm resources in terms of physical capital



resources, such as plant and equipment and geographic location, human capital resources, including training, experience, relationships and insights from managers and staff, and organizational capital resources like a firm's formal and informal systems in planning, controlling and coordinating, relations within a firm and etc. (Barney, 1991).

A firm resource base can cover resources and capabilities (Helfat, 2006) whose the difference may lay in the way to describe them which resources described as what a firm has and capabilities as what a firm can do (Grant, 2010).

In contrast with Porter's theory, the RBV represents a shift of strategy analysis focus on the profit sources shifted from the external environment to the ones within the firm, which has encouraged firms to look at its own resources and capabilities that are different from competitors, and utilize these differences as foundation to obtain competitive advantage (Stacey, 2011; Henry, 2011; Grant, 2016). The relationship between Porter's theory and the RBV is complementary, rather than conflicting, as the former regards industry characteristics and organization's positioning within the industry as the sources of profit and the latter identifies the organization's own resources and capabilities as profitability (Amit and Schoemaker, 1993); and as the RBV takes an "inside-out" approach to dealing with the environment of competition as well, it is also viewed as an alternative to Porter's framework (Henry, 2011).

Zubac, Hubbard and Johnson (2010) indicate that the emergence of the RBV as an alternative perspective to explain why and how firms perform differently in the literature of strategic management was facilitated to a certain extent by industrial organization economics which was no longer able to interpret a number of issues regarding competition, resources' role and implication and etc.; and they also summarize that generally, the approach of the RBV is utilized to define and clarify if the superior performance derived from the firm or the industry (Hansen and Wernerfelt, 1989; Rumelt, 1991; Henderson and Mitchell, 1997; McGahan and Porter, 1999; Chang and Singh, 2000; Ruefli and Wiggins, 2003), where are the sources of sustainable

competitive advantage (Peteraf, 1993; Collis, 1994; Long and Vickers-Koch, 1995; Barney, 1995; Lieberman and Montgomery, 1998; Collis and Montgomery, 1999; Cockburn, Henderson and Stern, 2000), how the resources and capabilities grow over time (Porter, 1991; Teece, et al., 1997; Roberts, 1999; Rosenbloom, 2000; Eisenhardt and Martin, 2000; Helfat and Raubitschek, 2000; McGrath, 2001), whether the firm's initial resources and the following investments can be the sources of its success (Teece, et al., 1997; Hoskisson, Wan, You and Hitt, 1999; Eisenhardt and Martin, 2000; Barney, 2001; Priem and Butler, 2001; Makadok, 2001; Srivastava, Fahey and Christensen, 2001), and what degree the customer value creation process would be dependent on context and resources (Barney, 2001; Priem and Butler, 2001; Makadok, 2001; Srivastava et al., 2001; Priem, 2007).

Hinterhuber (2013) describes the development history of the RBV as the search for sustainable competitive advantage since it has been adopted to speculate the connection between causes, such as resources and capabilities, and effects, such as performance and competitive advantage. Most of the previous works on sustainable competitive advantage sources focused on disconnecting opportunities and threats at firm level like Porter (1980, 1985)'s approach, or stating strengths and weaknesses like Penrose (1972)' work, or striving to match these with strategies; thus, Barney (1991) proposes a comprehensive framework to connect firm resources with the sustained competitive advantage, in which the firm resources must share the following four traits that must be valuable, rare, imperfectly imitable and non-substitutable (VRIN). On the basis of a series of observations that a company must be organized to full realize its competitive advantage potential which relies on its valuable, rare and imitable resources and capabilities, Barney (1995) updates the framework from VRIN to VRIO in terms of value, rareness, imitability and organization to stress that the possession of resources and capabilities per se cannot be sufficient to generate competitive advantage for a firm, and the organization of the firm must enable to exploit and utilize such resources and

capabilities; and Barney and Wright (1998) further highlights that the VRIO framework's critical implication is the role of human resource function which manages and deploys the resources, such as culture, employee commitment, human capital skills, and teamwork, in influencing the organization performance and developing sustainable competitive advantage generated from the firm-specific skill base which can be built through constant employee learning and development. This construct is in line with the central concept of organizational learning which is the process of tacit knowledge development and dissemination within the firm (Senge, 1990; Miller, 1996).

Although it is agreed that the RBV symbolizes a leap forward in the field of strategic management, the criticisms exist (Henry, 2011). Priem and Butler (2001) indicate that the RBV of strategy is hard for organizations to implement due to its static nature and lack of detail. Moreover, Stacey (2011) also shows that as the RBV of strategy focuses on leveraging resources in a harmonious and consistent way, the traditional strategic choice theory should be shifted to viewing strategy as learning process, especially in the perspective of hyper-competition.

#### **2.2.4. Concepts of competence and capability**

The importance of resources for firms is well-known, but what is more important is the effective and efficient deployment of resources can provide firms and organizations with competences defined as attributes needed by firms to compete in the marketplace (Snow and Hrebiniak, 1980; Hitt and Ireland, 1986; Grant, 2010; Henry, 2011); thus, evolving from the theory of RBV and the theory of organizational learning, the concept of core competences or core competencies appears and is described as a cluster of problem-solving insights or attributes which enable firms to formulate strategic alternatives and achieve competitive advantage (Lei, Hitt and Bettis, 1996; Henry, 2011). The term core competencies was firstly introduced by Prahalad and Hamel (1990) to describe the organizational capabilities which are critical and fundamental to a firm's performance and thus push the organizational capabilities to a position as a

central concept in the field of strategy analysis. Prahalad and Hamel (1990) select NEC as an example to illustrate how it has become a giant in businesses of semiconductor, telecommunication, computing and consumer electronics by considering itself as a set of core competencies in terms of its collective knowledge on how to coordinate various production technologies and skills. In practice, core competencies should be clarified to clearly express the firm's strategic intention and identify the core competencies supporting the intention; moreover, in order to build and enhance them, the firm need to invest the necessary technologies, deploy resources through all business units and strategically forge alliances.

The flood of literature in this field has presented a high degree of confusion over terminology in terms of resource, competence and capability. Barney (1997) indicates that the practical usage of the terms of resource, competence or capability has been blurred and concludes no matter how to term a firm's attribute is not of value to firms' managers. For instance, there is a term referred to as distinctive capabilities of firm resources, which are important for firms in creating competitive advantage and derive from areas regarding architecture, reputation and innovation (Kay, 1993). This term has confused with the one of core competences in the field of RBV strategy, Hamel and Prahalad (1992, pp.170) claim that "the distinction between competencies and capabilities is purely semantic". Similarly, Henry (2011) indicates that even though the terms of core competence and distinctive capability may mean differently from different perspectives of authors, the both terms produce a same point that they both refer to the activities that firms and organizations can reach sustainable competitive advantage.

It is essential to evaluate the significance of an organization's resources, competences and capabilities to determine whether they are strengths or weaknesses of the organization for its future growth, as the competence must be continually invested by an organization; otherwise it may become rigidity or deficiency (Hitt, Keats and DeMarie, 1998; Helfat and Peteraf, 2003; Wheelen and Hunger, 2012). Thus, Hamel and Prahalad

(1994, p.202) state that a competency must “provide customer value, be competitor unique and be extendable to develop new products and markets to be distinctive”; quite similarly, Barney (2002) proposes four questions according to his VRIO framework to evaluate an organization’s competences; and if a particular competency meets the questions, it can become a strength and then a distinctive competence; thus, this distinctive attribute can help the firm gain competitive advantage and direct it to higher performance (Newbert, 2008). Wheelen and Hunger (2012) suggest there are four ways for a firm to identify competences and then obtain access to distinctive ones, including asset endowment, acquiring from others, sharing with other business units, and deliberately building and accumulating within the firm. The studies on preferences on how firms gain capabilities vary. Devan, Klusas and Ruefli (2007) carry out a study which shows that the companies with outperformance produce values through knowledge-intensive resources and prefer internal development over acquisitions. On the other hand, Wheelen and Hunger (2012) conclude that capabilities can be externally developed through network resources, according to what Porter (1998) claims that clusters, geographic concentrations of firms and industries, can easily get access to suppliers, specialized information and etc., thus, firms can learn from each other to grow their competences and capabilities.

Although firm’s attributes which can facilitate it to gain and sustain competitive advantage in marketplace are termed differently as resources, competences or capabilities, the consensus reached by a number of scholars is that these attributes cannot be static and must be dynamic to fit the increasingly changing world; therefore, a new paradigm labelled as dynamic capabilities is refined from the RBV framework and previous competence-based theories and presents the link to the framework of learning organization and knowledge - based theories (Lei, et al., 1996; Teece, et al., 1997; Bogner, Thomas and McGee, 1999; Eisenhardt and Martin, 2000; Tsoukas and Mylonopoulos, 2003; Espedal, 2005; Ljungquist, 2013; Hinterhuber, 2013;

Krzakiewicz, 2013; Giniuniene and Jurksiene, 2015). Additionally, the construct of building dynamic capabilities to better deal with the environment uncertainty is in line with the research on the theory of hyper-competition (Wheelen and Hunger, 2012). The term dynamic capabilities was introduced and defined by Teece, et al. (1997, p. 516) “as the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments”. Dynamic capabilities are viewed at the highest level of organizational capabilities which can be regarded as a hierarchical system in which the lower-level capabilities are modified, integrated and adapted to grow the higher-level capabilities (Teece, et al., 1997; Grant, 2016). Teece (2007, p.1319) indicates that, besides possessing knowledge assets, gaining sustainable advantage in this changing business world requires dynamic capabilities which are unique and hard-to-replicate and can be utilized to continuously establish, expand, upgrade and protect the firm’s unique assets and adapt to varying client and technology opportunities; and these dynamic capabilities can be identified and analyzed as the ones which can “sense and shape opportunities and threats, seize opportunities, and maintain competitiveness through enhancing, combining, protecting, and when necessary, reconfiguring the business enterprise’s intangible and tangible assets.” Furthermore, Eisenhardt and Martin (2000) state that it is better to regard dynamic capabilities as processes to identify and distinguish them from ordinary ones; and the similar opinion is also put forward by Winter (2003) to equate dynamic capabilities with routine and patterned behavior. For instance, IBM reengineered the strategic planning system into IBM Strategic Leadership Model which includes processes design to identify and respond to the potential opportunities and threats and then carry out the initiatives developed from these processes, and this model facilitates IBM to become an evolutionary wonder from tabulating machines to cloud computing (Harreld, O’Reilly and Tushman, 2007). Therefore, dynamic capabilities can be used as an essential

theoretical construct to understand the phenomenal competition today which is characterized with increasing changes (Krzakiewicz, 2013).

As the world economy has become more complicated and open and the ways of innovation, invention and manufacturing have been more different in organizations around the globe (Teece, 2000) and the marketplace success can only be achieved through the combination of multiple inventions (Somaya and Teece, 2007), the importance of dynamic capabilities is amplified in terms of realizing competitive advantage, and can be better understood on the basis of prevailing literature about dynamic capabilities, strategy, organization and innovation (Teece, 2007). In order to produce academic and practical contribution which presents the long-term enterprise success and improves organization performance in global competition, Teece (2007) proposes a general framework for dynamic capabilities which integrates the previously identified core elements in terms of coordination/integrating, learning and reconfiguring (Teece and Pisano, 1994; Teece, et al., 1997) with the processes which can sense, seize and manage threats; and this general framework particularly emphasizes the role of learning and knowledge management owing to the critical effect of intangible assets on organization success.

The connection between learning and dynamic capabilities has been determined and interpreted by a number of scholars from different perspectives. For instance, Aragón-Correa and Sharma (2003) in their study on roles of company's capabilities and resources suggest that continuous "outside-in" learning can curtail uncertainty of business world; Augier and Teece (2009) call further research for organizational learning in enterprise performance; Dixon, Meyer and Day (2010) explore the relationships among leadership, organizational learning, dynamic capabilities and performance to clarify the process of organizational transformation; Eisenhardt and Martin (2000) indicate that the evolution of dynamic capabilities is guided by learning mechanism; Kale and Singh (2007) carry out a survey in 175 American firms in

alliances and find out the affirmative relationship between learning capabilities and general enterprise success; Malik and Kotabe (2009) implement an empirical research on 115 manufacturing companies in India and Pakistan and conclude that organizational learning is one of dynamic capabilities growth mechanisms; Pablo, Reay, Dewald and Casebeer (2007) perform a case study on health authority in Canada and examine the role of learning in developing dynamic capabilities; and Zott (2003) points out that learning, timing and cost can differentiate performance of firms with similar dynamic capabilities.

Therefore, Mintzberg and Waters (1985) and Mintzberg (2000) propose the theory that a firm's strategic growth can be better understood as springing from learning processes; and Stacey (2011) further indicates, according to that theory, the quality of learning processes determines what kind of organization the firm can become, and also results in its strategy and strategic direction. Thus, the development of dynamic capabilities is closely related to learning. Zollo and Winter (2002, p.340) set out that organizational learning is the source of dynamic capabilities which can be described as "a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness".

Specifically, Eisenhardt and Martin (2000) state that the learning mechanisms can guide the growth of dynamic capabilities, such as repeated practice for accumulation of tacit and explicit knowledge, codification of experience into routine and formal procedures, and small mistakes which motivate individuals to learn but do not result in defense which block learning. The similar opinion is echoed by Swift and Hwang (2008) who agree that learning mechanisms in terms of experience accumulation, knowledge articulation and knowledge codification can play an important role in creating and growing dynamic capabilities. The positive effect of learning mechanisms on dynamic capabilities has been proved by (Chien and Tsai, 2012) in an empirical study on 132 store managers of fast-food restaurant chain in the context of Taiwan. Moreover, Grant



(2016) suggests that knowledge management should be utilized by organizations to build and develop capabilities, because the concepts and practices encompassed by knowledge management comprise two areas at the core, which are the promotion of organizational learning, such as know-how sharing and best practice transfer, and the utilization of information technology, such as databases and information storage, analysis and dissemination. The both areas accord with two principal kinds of knowledge in terms of knowing about - explicit knowledge and knowing how - tacit knowledge (Grant, 1996), which raise an issue of replication paradox, as systematization allows internal replication for knowledge sharing and transferring within the company but also helps rivals duplicate (Grant, 2016). Thus, in order to facilitate the role of knowledge in building capabilities, knowledge needs to be replicated and the knowledge in explicit form can make replication easier (Rivkin, 2001).

### **2.3. Learning Organization**

Challenges presented by globalization and environmental sustainability force firms, companies and organizations to think about how to keep up with and respond to the changes happening in technology, economics, politics, society, and culture; and the adaptation which requires organizations to fit with their environment is regarded as a dynamic process in line with the theory of organizational learning that needs individuals in an organization at all levels involved in harnessing knowledge offensively to keep competitive in changing environment and enhance the fit between the organization and the environment (Lewin and Volberda, 1999; Aldrich and Ruef, 2006; Wheelen and Hunger, 2012).

With the acceptance of organizational learning perspective, a rising number of firms have realized the urgent need to shift from traditional top-down type of organization to a more interactive flat-structured organization, and strive to adapt more proactively to

changing world through establishing learning organization (Wheelen and Hunger, 2012).

### **2.3.1. What is Learning Organization?**

Several decades ago, the term of learning organization was proposed by Senge (1990). Gronhaug and Stone (2012, p. 265) argue that the history of learning organization has been more than one hundred years; and by adopting the historical perspective to analyze five examples in their study, they firmly believe that “learning organization have always been the norm”, rather than existing simply in theory.

In spite of the fact that conceptualizing the concept of learning organization has been a hot topic in academic sphere (Goh, 1998; Popper and Lipshitz, 1998; Heraty, 2004), owing to various perspectives adopted by different researchers, such as the perspective of adaptation (March and Olsen, 1975; Kilmecki and Lasseleben, 1998), the perspective of action (Argyris and Schön, 1978; Daft and Weick, 1984; Vera and Crossan, 2004), and the perspective of experience institutionalization (Shrivastava, 1983; Levitt and March, 1988; Dodgson, 1993), the consensus has not been reached on a definition of learning organization (Huang and Shih, 2011). Mabey and Salaman (1995) indicate that the debate on learning organization has significantly attracted the public’s attention to learning, especially to the learning process, the individuality of learning styles and the development of proper environment for learners. Senge (1990) describes learning organization as an organization whose members constantly strive to improve their capability and capacity in order to produce expected outcomes and constantly learn to see the whole with new patterns of thinking fostered by the organization. Pedler, Boydell and Burgoyne (1989) also echo this point of view by depicting learning organization as an organization which can continuously enhance learning for all organization’s members and intentionally transform itself.

Based on aforementioned definitions, Garavan (1997) categorizes the literature on this subject into two wide divisions, the first is to regard learning organization as a variable which can be formulated or designed in an organization and can produce important influence on the organization; and the other is to see it as a metaphor to depict an organization in terms of a particular version of culture. He indicates that the new point of view on learning organization is that it has become a widely used metaphor which is regarded as a goal for organizations to consciously achieve; and he particularly states that the critical understanding on what a learning organization is, should include the following: the emphasis on organization encouraging staff actively learning, all members learning together in a collective system, the organization in a state of continuous change with the focus on learning the change process itself and simultaneously enabling staff's learning, and the need to explore the successful formulation of learning organization in line with each organization's specific conditions.

Along with the term of "learning organization" becoming a hot topic in the sphere of human resource development, the term of "organizational learning" has also become inspiring and attractive; but as people may think both terms interchangeable, the terms are carelessly used in theory and in practice, especially among people who are not native English speakers (Nicolini and Menzar, 1995; Sun, 2003). Hence, it is necessary to analyze the terms of "learning organization" and "organizational learning" to clarify the ambiguity and identify their similarities and differences (Sun, 2003).

Although there are a number of studies on trying to clarify the fuzziness between organizational learning and learning organization from various ways or angles, such as normative perspective (Örtenblad, SET, CIEL and Högskolan i Halmstad, 2001), linguistic perspective (Sun, 2003), or evolutionary perspective (Rebelo and Gomes, 2008), or perspective of individual versus groups (Stacey, 2011), Garavan (1997) puts

the distinction between the two terms in an easily understandable way, which organizational learning can be referred as activities within an organization while a learning organization is a form of organization. This distinction is also recognized by Örténblad, et al. (2001) as one of the two most common ways to distinguish the both terms, while the other difference is that efforts are needed to establish learning organization, and not needed for organizational learning; but he argues that it is not empirical enough to make such distinctions and recommended that “organization form” in a conventional way should be clearly acknowledged when learning organization is referred, because either learning organization or organizational learning can contain the meaning of “processes”.

Based on the ideology that concepts in science are developed in a pattern of evolution, Rebelo and Gomes (2008) chooses the 3-stage model of concept evolution designed by Reichers and Schneider (1990) which consists of three phases in terms of introduction and elaboration, evaluation and augmentation, and consolidation and accommodation, to analyze the concepts of learning organization and organizational learning; as there is no perfect model, they are only allowed to locate the both concepts at the beginning of the second phase and there is still a strong need to put substantially efforts on empirical and cumulative studies on this topic and answers to questions which are still not clear in literature, their research concludes and highlights the indispensability of learning in organizational life and the significance of learning recognized in successful organizations as a key feature particularly in current speedily changing globalization. Moreover, according to the conversation with practitioners in the field of learning and organizational development, Gorelick (2005) proposes a viewpoint that learning organization and organizational learning are possible and supposed to co-exist and being an effective learning organization demands a solid learning cycle which will take time to establish. This co-existence viewpoint has been further explored and incorporated in a model proposed by Wang, et al. (2010) on how to build a sustainable

learning organization in public sector in the context of China during the process of transforming toward a knowledge-based economy, in which organizational learning is one of the three core components of the model and needs to focus on the demand of the organization for adaptive learning and creative learning.

### **2.3.2. Learning Organization Being a Way to Gain Competitive**

#### **Advantage**

Kurian (2013) states that cost leadership, differentiation and focus are three general strategies to gain competitive advantage for an organization: cost advantage derives from technical and producing efficiency; differentiation is obtained through innovation, creation and efforts on quality of product or service; and focus commands efforts towards maximizing organizational performance, which is specifically described by Saha and Gregar (2012) as the access to knowledge, technology and skills. Saha and Gregar (2012) also indicate that, because people is the first source of knowledge, it is critical to understand how to effectively and efficiently rely on human resource to obtain and improve competitive advantage of a firm, such as establishing an encouraging environment to help employees genuinely carry out business strategies to achieve best outcome, and offering learning and development programs for employees to increase the organizational excellence.

The term “path of learning” is used by Chandler (2009) to describe high-technology industries which their organizational strengths come from learned capabilities and entrepreneur knowledge evolves into organizational knowledge that comprises technical skills, functional knowledge and managerial expertise. Once the learning base established, it means success for the firm and entry barrier for competitors; thus, organizational knowledge can be viewed as a competitive advantage (Chandler, 2009; Wheelen and Hunger, 2012).

It is essential for learning organizations to implement strategic management in order to avoid pitfall by continuous self-examination and experimentation; encouraging individuals at all levels to participate in strategic management can help organizations gain many benefits, such as examining the circumstances for useful information, proposing changes for strategies and programs, coordinating with others to enhance work procedures, and evaluating techniques (Wheelen and Hunger, 2012). The action learning format developed by Motorola, which three different departments argue and reach agreement, can be used as an example to illustrate how learning strategies work to solve problems and why establishing learning organization is important (Baldwin, Danielson and Wiggenhorn, 1997). Moreover, involving more people in strategic management can facilitate the strategy processes to be viewed more positively and implemented more effectively (Parnell, Carraher and Holt, 2002; Collier, Fishwick and Floyd, 2004; Ketokivi and Castañer, 2004). Research shows that firms which are willing to experiment and learn are more successful than those that are not (Tsang, 1999; Shaver, Mitchell and Yeung, 1997; Kale and Singh, 2007; Barkema and Schijven, 2008; Bergh and Lim, 2008) and also indicates that multidivisional companies which try to transfer knowledge across departments are more innovative than those companies that do not (Miller, Fern and Cardinal, 2007)

Organizational learning can be viewed as a critical component of competitiveness in a dynamic world, particularly for product development and innovation (Hitt, Keats and DeMarie, 1998). For instance, an extensive network of informal committees is adopted by Hewlett-Packard and British Petroleum to transfer knowledge across different-function divisions and facilitate new knowledge to spread quickly (Lei, Slocum and Pitts, 1999; Goold, 2005). Another good example is Siemens, an electronics corporation, which initially established ShareNet as a global knowledge-sharing network and then created PeopleShareNet serving as a virtual expertise place to

improve the formation of cross-cultural teams with knowledge and competences (Voelpel, Dous and Davenport, 2005).

Therefore, the fit exists between the nature of learning organization and acquiring competitive advantage strategies. Narver and Slater (1990) indicate that whether a company is able to innovate and learn, has been proved to be a critical driving force of its capacity to make revenue and profit rise. Calvert (1994) indicates that learning is used by learning organization as a way to achieve goals and establish procedures and structures which can enhance continuous learning and development; this statement is echoed by Davis and Daley (2008) stating that the managerial practices which can facilitate and encourage the knowledge development are the foundation for competitive advantage, and by Gronhaug and Stone (2012) emphasizing the significance which “learning is at the heart of competitiveness”. Senge (2006) stresses that a well-operating company should effectively react to particular four challenges which are the situation complexity, the rapid-changing environment, the interaction and the sustainable growth and states that the competitive advantages are produced and maintained individually and collectively by members in learning organization handling the changes from internal and external circumstances. By taking this emphasis further, Wen (2014) seizes the nature of learning organization which is the enhancement of innovation and sustainable growth of the organization through organizational learning and the philosophical essence which is the endeavor to develop and depend on the best sides of human nature in terms of ability to dream, real commitment, communication skills, caring and trust and etc.

## **2.4. Building Learning Organization in China**

### **2.4.1. Important Models and Theories in Context of China**

A number of scholars have presented different models and studies on identifying the characteristics or components of learning organization to measure what kind of

organization can be categorized as learning organization (Farrukh and Waheed, 2015); and these theories and practices are critical to establish a learning organization (Wen, 2014).

There are two learning organization models frequently mentioned when examining or developing learning organization, which are five-principle model by Senge (1990) and the eleven-characteristic model by Pedler, Burgoyne and Boydell (1997). Senge's model includes five principles in terms of mental model, personal mastery, system thinking, shared vision and team learning; while Pedler et al.'s model displays eleven main of learning organization, including a learning approach to strategy, informing, participative policy making, formative accounting and control, internal exchange of ideas and knowledge, reward flexibility, enabling structure to remove communication and learning barriers, boundary workers as environmental scanners, inter-company learning, learning climate, and self-development opportunities for all. By virtue of these models and theories, Farrukh and Waheed (2015) propose an up-to-date model which covers the general characteristics of learning organization, namely innovation, facilitative leadership, information sharing, self development/personal mastery, and empowerment, demonstrate the relationships among these elements, and believe that the concept of learning organization can be and should be a source of competitive advantages.

Leadership is considered as a vital feature for learning organization (Marsick and Watkins, 2003; Moilanen, 2005); and its significance cannot be over-emphasized in the sphere of organization development (Werner and DeSimone, 2006). Elkin, Zhang and Cone (2011) perform a study on the theories of charismatic and transformational leadership which are popular in the context of Chinese companies and indicate that employees can be more positively motivated in organizations by strong transformational leadership for self learning and creative activities which will be greatly helpful to



establish learning organization. Furthermore, when Hee Kim and Callahan (2013) successfully conceptualize the dimensions of learning organization, they particularly emphasize the significance of leadership in facilitating learning transfer in a learning organization and believe that leadership serves as the core for learning organization and learning transfer by exerting influence on creation of learning organization and facilitating learning transfer to optimize the organization performance.

Elkin, Cone and Liao (2009) and Elkin et al. (2011, p.361) believe that Chinese organizations may naturally grow as learning organization, because the pragmatic perspective in Chinese culture and traditional perception of learning present “a surprising match” with Senge’s five-discipline model. On the other hand, Lee (2004) argues that Chinese cultural emphases on harmony, individual’s “face”, utilitarianism in learning and good relationships are not facilitative to forge learning organization in line with Senge’s model and suggests that it is important to think in Chinese way when applying managerial theories originated in the West, obtain support from senior management when cultivating learning culture in China’s paternalistic society and offer incentives and tailored training when fostering learning attitude.

However, besides being a form of organization, Wen (2014) also stresses the relationship between learning organization and leadership as well as culture which should facilitate the organization’s sustainable and healthy development, enhance the organizational learning, improve the intelligence and emotion assets of the organization and increase the capability to create future, and correspondingly presents 10 strategies to build learning organization particularly in the context of China. These strategies involve constructing a leader learning team, advocating learning and personal mastery, changing mental models, expanding organizational capacity, learning at work by solving problems, improving learning effectiveness, building the “3 in 1” mode of work

(learning – research - innovation), formulating long-run plan for sustainability, implementing assessment process, and conducting trial for implementation.

#### **2.4.2. Measurement of Learning Organization Validity**

In addition to the five-discipline model (Senge, 1990) and the eleven-characteristic model (Pedler, et al., 1997), although the Dimensions of Learning Organization Questionnaire (DLOQ) proposed by Watkins and Marsick (1993) is doubted due to being too extensive by Wilson and Beard (2014), Kim, Egan and Tolson (2015) state that DLOQ can be regarded as the most widely used instrument to identify and assess the factors of learning organization, which includes seven characteristics (7Cs), namely continuous, collaborative, connected, collective, creative, captured and codified and capacity-building of an organization as a result of achieving the six action imperatives in terms of empowering people, promoting dialogue, encouraging cooperation and team learning, continuous learning opportunities, linkage between organization and environment, and learning capturing and sharing; they further indicate that these 7Cs can be used as a framework to assess the outcomes of fostering learning organization by identifying the gap between the current organization situation and the expectation of being a learning organization.

In the context of China, the empirical research conducted by Zhang, et al. (2004) demonstrates the reliability and validity of DLOQ and the applicability of the seven-dimension concept through examining the correlations between learning organization practices and organizational performance among state-owned enterprises and listed companies.

#### **2.5. Current Condition of Small Businesses in China**

Although small businesses in most of countries are defined by the employee number which 100 is normally used as a dividing line, there are three indicators in China to

define a small business or small business enterprise, namely employee number, sales volume and total assets, which the last one is only suitable for industry sector and construction sector. Any business which meets only one of the criteria presented in below table can be defined as a small business (Yu and Bell, 2007). The forms of small businesses can cover family business, partnership, sole trader and franchise, which most of them are not listed on stock market (Li, et al., 2011).

Table: Definition of small business in China

National standard on SMEs in China				
Sectors		Employees number	Annual revenue (RMB million)	Total assets (RMB million)
Industrial		<300–2,000	>3,000–30,000	>4,000–40,000
Construction		<600–3,000	>3,000–30,000	>4,000–40,000
Transport & posts	Transport	<500–3,000		
	Postal service	<400–1,000	>3,000–30,000	
Wholesale & retail	Wholesales	<100–200	>3,000–30,000	
	Retails	<100–500	>1,000–15,000	
Hotel and restaurant		<400–800	>3,000–15,000	

Source: SETC, SDPC, Ministry of Finance and SSB (2003)

Being the engine of Chinese economy, the following data can show the prime importance of small businesses in China: among 10.3 million registered enterprises, 99% are small businesses which employ 80% of population in urban areas and produce 60% of GDP, 55% of national tax revenue and 60% of total volume of export and import (Li, et al., 2011), and create 65% of national invention patents and 80% of new products' research and development (Wang, 2010).

Even though the small businesses are so critical to the national economy and have been given attention, during the global financial crisis from 2008 to 2009, 20% of small businesses disappeared and another 20% were on the edge of bankruptcy (Li, et al., 2011). It is necessary to clearly understand the characteristics and barriers, which hinder the sustainability of small businesses (Yu and Bell, 2007).

Among all the characteristics and barriers identified by scholars and researchers for small business, the following ones are always in the top list: lack of financial resources, low awareness of environmental impact, existing regulations and management systems, lack of training and consulting (Yu and Bell, 2007), having a relatively small market share, normally being owned by family and managed by owners, usually having issues with ownership and management succession, possessing limited access to financial and other resource, and being reluctant to change (Francis and Armstrong, 2006; Li, cited in Li, et al., 2011). Thus, three areas are identified for small businesses' future improvement in China in terms of education, communication and cooperation; meanwhile, the commitment and decision-making of company's top management are also emphasized (Yu and Bell, 2007).

## **2.6. Present Study on Learning Organization in China**

Chen, et al. (2010) conduct an extensive and systematical study on learning organization and organizational learning in mainland of China both theoretically and practically by analyzing the academic papers published in China Academic Journals Full-Text Database since 2000. Theoretically, although great achievement in this field has been made by Chinese scholars, a number of issues still need to be addressed; in terms of research subjects, they particularly highlight that approaches and mechanisms of crisis-oriented learning and organizational learning-oriented knowledge management at organizational level; in terms of research methods, they find the scarcity of case study research in this sphere; and in terms of future research direction, the practice-oriented

study, such as specific measures, tools, steps and methods for developing learning organization, should be strengthened to make the concept and knowledge of learning organization more acceptable and more feasible. This point is also supported by Li, et al. (2011) when they probe into the development of small businesses in China from an institutional perspective and call for case-based empirical studies in the future. From an aspect of practice, according to a large-scale survey among 10,000 randomly chosen Chinese companies conducted by the State Council Development Research Center in 2006, Chen et al. (2010) state that the concept of learning organization is more recognized by enterprise managers, and identify that organizational learning varies among enterprises in different ownerships, sizes, regions and industries. They also present suggestions on establishing learning organization and facilitating organizational learning in the context of China, including being more aware of business changes domestically and internationally, adopting more pragmatic way to organizational learning, recognizing organizational learning as continuous processes, and emphasizing on communication.

Moreover, on the ninth international conference on workplace learning and sustainable development in China, Li and Huang (2011) indicate the high level of interest from Chinese researchers and practitioners on the topic of learning organization and present the models for formation of learning organization and examination of applicability in public sector (Wang, et al., 2010; Qiu and Wang, 2010). In a latest empirical study on 115 firms in Beijing, Song (2015) proves the positive impact of organizational learning on innovation and requires future studies on specific industries, such as service and hi-tech.

## **2.7. Conclusion**

In the section of literature review, the theoretical background for the research has been presented; and how learning can keep organizations staying competitive has been

addressed. Meanwhile, how to apply this western-originated concept to small businesses in the context of China and assess its effective has also been reviewed.

As above mentioned, the contemporary researches on this topic in the mainland of China concentrate on theoretical dimensions of this concept; and the empirical studies are mostly focusing on large-scale state-owned enterprises and public sector, such as government agencies and higher educational departments; since the enterprises in different ownerships, sizes, regions and industries can produce different effects from establishing learning organization (Chen et al., 2010), there is a need to investigate the effectiveness and development of learning organization in private sector, particularly small businesses to see if they can stay competitive by applying this concept in order to deal with the pressure resulted from the economic slowdown in China. The value of the research is to provide a feasible and practical approach for the small businesses to gaining competitiveness and to be aimed at any stakeholders but particularly for business owners and managers.

## Chapter 3 Research Question

The research is related to the academic field of strategic management by adopting the concept of learning organization as strategy to gain and sustain competitive advantage.

In order to contribute to the body of knowledge and answer the call for empirical research in this area, the research focuses on application of learning organization in small businesses in China through probing into a single case study. The research question is “*Case study on gaining competitive advantage through building learning organization in small businesses of service sector in China*”; and the research’s objective and sub-objectives of the research are as follows:

### *Objective:*

To investigate if the small service-sector businesses can gain competitive advantage through building learning organization in China

### *Sub-objectives:*

- To explain the concept of learning organization
- To discuss why learning organization can be a source of competitive advantage
- To elucidate how to build learning organization, especially in the context of China
- To investigate what kind of measures the case companies adopt to establish learning organization
- To assess the validity of the case companies’ endeavor to foster learning organization
- To provide recommendations based on the assessment

# Chapter 4 Research Methodology

## 4.1. Introduction

Business research refers to academic research on business and management questions situated in the context of social sciences, such as sociology, economics and psychology, which inform the study of specific business fields, including human resource management, strategy, organizational behavior and etc. (Bryman and Bell, 2015). It is critical to understand the methodology when undertaking a business research. Quinlan (2011) illustrates the relationships among philosophies, methodologies and data collection methods by adopting the model of methodological pyramid, in which the fundamental philosophies are the basis to emerge the research methodologies which back the data collection methods.

In this chapter, the methodology used for the research will be outlined; in order to do so, the diagram of the research onion proposed by Saunders, Lewis and Thornhill (2015), which allows a researcher to follow from the outside layer to the core of the onion to make sure the most appropriate choices on methodology to be made, will be adopted to present the philosophy underpinning the research, explain the research design based on



methodological choice, and depict the methods of data collection and analysis. The

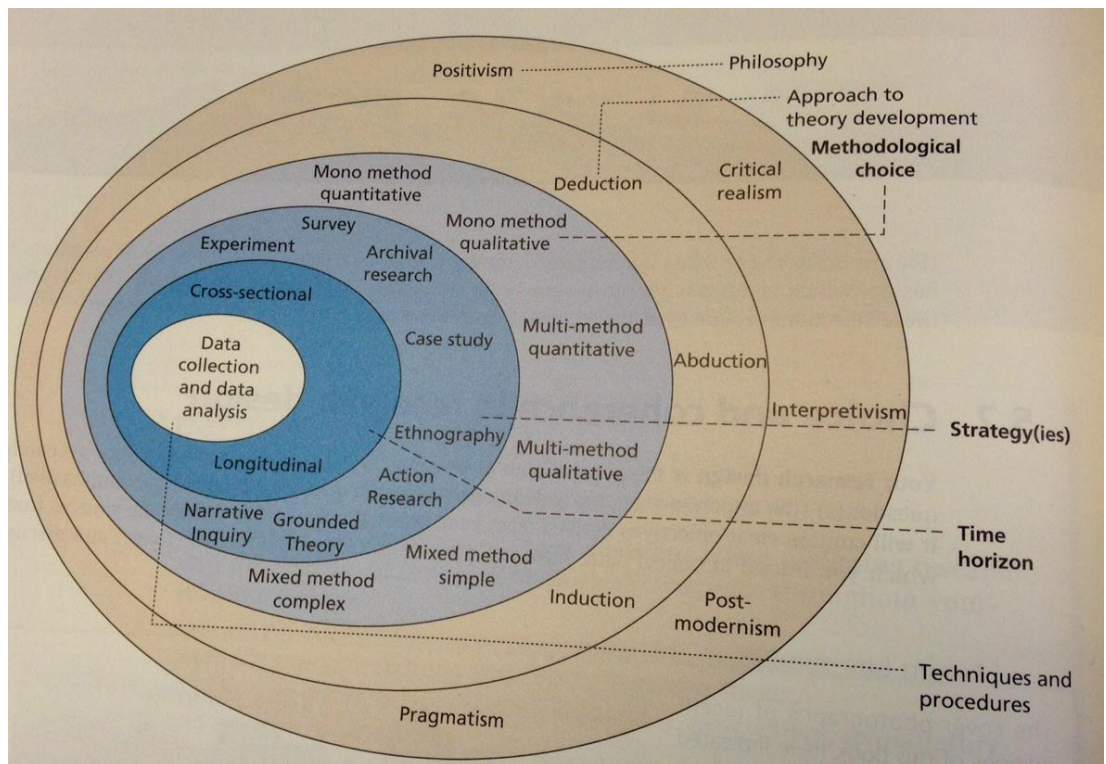


diagram of the research onion is shown below.

Source: Saunders, Lewis and Thornhill, 2015, p.124

## 4.2. Research Philosophy

Research philosophy is connected with the nature and development of knowledge; and the philosophy adopted by a researcher shows the way the one regards the world (Saunders, et al. 2015). It may not be consciously aware that various kinds of assumption will be made at every stage of a research process (Burrell and Morgan,

2005). The selection of specific methodologies and methods involves the assumptions about reality which relate to the research and the theoretical perspective (Crotty, 2014). A consistent and logical set of assumptions can construct a solid research philosophy, which will support the following methodological choice, data collection techniques and analysis process and allow researchers to design a credible research project (Saunders, et al., 2015). Thus, the fit between the designed research and the philosophical framework is a critical consideration for researchers (Quinlan, 2011); and it is necessary for business and management researchers to fully understand the philosophical commitments to be made through research strategy selection, as it will produce essential impact on what and how the research is going to proceed (Johnson and Clark, 2006). Saunders et al. (2015) distinguish the research philosophies which are at the first layer of the onion, by considering the three different research assumptions, namely ontology which refers to questions about the nature of reality, epistemology which relates to assumptions about validity and legitimacy of new knowledge created by research, and axiology which concerns the position of value and ethics in the research. As the research is to explore the applicability and validity of learning organization theory in the context of China, so it falls into the field of epistemology. At the first layer of the onion model, there are five major philosophies which are commonly adopted in research of business and management and allow the researcher to choose among them, namely positivism, critical realism, interpretivism, postmodernism and pragmatism. As positivism and interpretivism are two epistemological positions (Quinlan, 2011), the details of these two philosophies are presented as follows to show why interpretivism as the philosophical perspective is suitable for the research.

#### **4.2.1. Positivism**

Quinlan (2011, p.99) states that “positivism holds that there is one objective reality, reality is singular and separate from consciousness”; and Saunders et al. (2015, p.135)

define it as “the philosophical stance of the natural scientist and entails working with an observable social reality to produce law-like generalizations”.

If the positivist position is adopted in a research, the observable and measurable facts should be focused to produce meaningful and credible data and the neutral and detached stance should be taken by the researcher in order to avoid impacting findings (Crotty, 2014). Moreover, the causal relationships in data should be discovered to generate law-like theories as scientists do; and a highly structured methodology is likely to be used by positivist researchers to allow them to proceed statistical analysis based on quantifiable observations (Gill and Johnson, 2010). However, Saunders et al. (2015) indicate that the decision to undertake a research as far as possible from a value-free perspective is arguable, as it may not be possible to exclude researcher’s own values and the decision still suggests the existence of a certain value.

#### **4.2.2. Interpretivism**

As a contrasting epistemology to positivism, interpretivism emerged in early twentieth-century Europe as critique of positivism which was applied as a scientific model to the research of social world, which thus requires a different research logic that reflects the uniqueness of humans, because humans create meanings, which makes humans different from physical phenomena or natural sciences; hence, interpretivism holds that the reality of society is a subjective construction on the basis of interaction and interpretation (Quinlan, 2011; Saunders et al., 2015; Bryman and Bell, 2015). Saunders et al. (2015) suggest that the aim of interpretivism is to create new and rich understanding and insights into social realities; especially for business and management researchers, interpretivism means to view organizations from the angles of different groups of people; and by doing so, what is meaningful to research participants should be collected; in practice, different stands of interpretivism in terms of phenomenology, hermeneutics and symbolic interactionism, show a slight difference about how to do interpretivist research. Specifically, phenomenology focuses on participants’

interpretation of their lived experience; hermeneutics emphasizes the research of cultural artifacts; and symbolic interactionism targets the observation and analysis of social interaction. Furthermore, Saunders et al. (2015) indicate that an empathetic stance is crucial to be adopted by researchers to interpretivist philosophy, because interpretivism is explicitly subjective due to its focus on multiple-interpretations and meaning making and the interpretation of research data is recognized by the researchers whose own beliefs and values have an important position in the research process; hence, it is highly appropriate to take the interpretivist perspective for business and management research which is complex and unique.

### **4.2.3. Summary**

Therefore, for the research on the soundness of learning organization in the context of China, its complexity and richness can be appropriately explored by interpreting the interactions between the theory and the context from the perspective of interpretivism which concerns people involved, rather than objects. Furthermore, as people is at the center of human resource management, this interpretivist point of view can allow the researcher to achieve the research objective and develop implications for business practitioners in practice.

## **4.3. Approaches to Theory Development**

The justification of new knowledge in scientific field is the goal of scholarly reasoning (Mantere and Ketokivi, 2013). Easterby-Smith (2008) indicates that there are three reasons why the choice of a researcher on the approach to theory develop is critical. First, it can help a researcher make a general and overall configuration of research design in terms of what and how to gather and interpreted evidence; second, it enables a researcher to consider strategies and methodologies which will and will not work; and third, understanding different research traditions can facilitate a researcher to adapt research design to deal with constraints.

At the second outer layer of the research onion, the approaches to theory development include deduction, induction and abduction. A deductive approach is that a researcher starts with theory developed from what is known and academic literature to deduce a hypothesis that must be tested through empirical scrutiny; an inductive approach is to explore a phenomenon and generate a theory by collecting data; and an abductive approach is to identify and explain patterns of a phenomenon to build a new or modify an existing theory which will be tested by additional collected data (Saunders, et al., 2015).

### **4.3.1. Deduction**

Saunders, et al. (2015) describe that deductive reasoning is a research approach in natural sciences, involving a theory development subjected to strict and accurate tests through anticipation of phenomena; and a deductive approach is characterized by explanation of causal relationships, operationability, and generalization. The first feature requires the research to clarify the causal correlation between concepts and variables and a highly structured research design to produce replication in order to ensure reliability; the second one needs the concepts to be operationalized, so the facts can be quantitatively measured; and the last one emphasizes prudent sample selection and acceptable same size to enable generalize.

However, the 20th-century development of social science cast doubt on the applicability of deductive reasoning approach with origins in natural sciences to the field of social science research, as how humans interpret social environment is not considered and understood through the causal link among specific variables made by researchers using the approach of deduction; moreover, deductive reasoning is also criticized because it tends to build a methodology which is too rigid to allow alternative explanations of ongoing situation due to the highly structured research design (Saunders, et al., 2015). This critique is also echoed by Bryman and Bell (2015) who indicate that as a very linear research process, deductive approach proceeds the research step by step in a clear and

logic sequence; thus a deductive reasoning strategy is typically associated with quantitative research while an inductive reasoning strategy with qualitative research.

### **4.3.2. Induction**

In contrast to deduction, the strength of induction is to interpret and understand humans in social world and particular concern with context can be reached through inductive approach; thus a small size of samples is more appropriate in an inductive strategy than a large number of samples required by a deductive strategy and qualitative data and various ways to collect these data are more likely to be adopted by researchers in this inductive tradition (Saunders et al., 2015). For instance, Ghobadian and Gallear (1997) perform a study of the influence of Total Quality Management (TQM) on how small and medium-sized enterprises (SMEs) keep competitive to analyze the relationship between TQM implementation and organizational size. In the study process, they found it was difficult to formulate hypotheses from the perspective of deduction, since major issues and variables were context-dependent and thus cannot be easily transformed into constructs; therefore, they adopted an inductive approach in the later study stage, namely case studies, to answer the research questions and develop a framework for TQM implementation in SMEs. If the inductive approach is used to explore the relationships between theory and research, theory can be the outcome of research, in which the inductive process is mainly associated with drawing assumptions which are generalizable out of observations (Bryman and Bell, 2015).

### **4.3.3. Abduction**

As it is better to think deduction and induction as tendencies, rather than absolute distinction, the abductive approach to research has become popular (Bryman and Bell, 2015); and being a combination of deduction and induction which the former is from theory to data and the later is from data to theory, the abduction moves back and forth (Suddaby, 2006). The start of abduction is the observation of surprising fact and then a

plausible theory is formulated to explain how the fact could have happened. Mannen, Sørensen and Mitchell (2007) suggest that plausible theories can elucidate the observation better than others and help expose more surprising facts which can happen at any stage of a research; they also emphasize that abduction is complemented by deduction and induction as it is logical to test plausible theories.

#### **4.3.4. Summary**

The above discussed three types of reasoning are summed up by Mantere and Ketokivi (2013) in organizational research to show their respective features. Deductive reasoning is often associated with theory testing research which requires to formulate hypotheses from theoretical considerations and then test them through statistical inference; inductive case research presents theories to be developed in a data driven way with qualitative data; and abduction is linked with interpretive research which develops theory in a dialogical process and results in the presence of “reflexive narratives, not explanatory models or theoretical propositions” (Mantere and Ketokivi, 2013, p.75). For the specific research in concern, the inductive reasoning approach is adopted, as the researcher has the access to the management and staff of the case company for interview in order to obtain their insights related to the research. Moreover, Ghobadian and Gallear (1997) performed the study which explored the implementation of a concept in a specific context, as similar as the case of this research to explore the learning organization concept in China, shifted the reasoning approach from deduction to induction in order to develop valuable framework; thus the shift shows that induction is suitable in the case of the research to explore the concept of learning organization in the context of China.

#### **4.4. Research Design**

Research design can be defined as a general plan to address research questions (Saunders, et al., 2015) or a framework to collect and analyze data (Bryman and Bell,

2015). According to the research onion, after peeling off the outer two layers, namely research philosophy and approaches to theory, the next three layers in terms of methodological choice, research strategy and time horizon constitute the process of research design (Saunders et al., 2015).

#### **4.4.1. Methodological Choice**

Methodological choice refers to the selection among quantitative, qualitative and mixed methods for research design. In a simple and narrow way, quantitative research and qualitative research can be distinguished between numeric data, like numbers, and non-numeric data, like words and images; hence, the term quantitative is often regarded as a synonym for data collection method or data analysis procedure which uses or produces numerical data, such as questionnaire or statistics, while the term qualitative is often regarded as a synonym for data collection method or data analysis procedure which uses or produces non-numeric data, such as interview or categorizing data (Saunders, et al., 2015). Quantitative research is usually used for theory testing through precise measurement of something, such as measuring consumer behavior and opinions, to answer questions regarding when, who, how much, how many and how often; meanwhile, it requires researcher keep neutral and distant from the research to avoid bias; on the other hand, qualitative research is often labeled interpretive research as it aims to achieve in-depth understanding and build theory through detailed description (Cooper and Schindler, 2014). Moreover, including an array of interpretive techniques, qualitative research seeks “to describe, decode, translate, and otherwise come to terms with the meaning, not frequency, of certain more or less naturally occurring phenomena in the social world” (Van Maanen, 1979, p.520). Although the fact that a qualitative study results cannot be generalized to a larger population is recognized as a major weakness, as qualitative data are subjective and affected by human bias and errors in data collection and interpretation, the qualitative techniques are increasingly adopted by



managers as quantitative research techniques fail to offer the insights required to make expensive and critical business decisions (Cooper and Schindler, 2014).

In the case of the research, the qualitative research design is adopted. The reasons are as follows: first, qualitative research often follow an interpretive philosophy (Denzin and Lincoln, 2005); second, various types of qualitative research start with an inductive reasoning approach to theory development, using naturalistic research design to generate theory or develop a richer academic perspective than the ones in existing literature; and third, qualitative research include a variety of non-standardized data collection techniques, like survey and interview, and research strategies, like case study and action research, which allows the researcher to have a wide range of options to choose which one is the best for the research (Saunders, et al., 2015).

#### **4.4.2. Research Strategy**

A strategy in general terms is an action plan to achieve a goal, thus a research strategy can be defined as a plan for a research to answer research questions (Saunders et al., 2015). It can be regarded as the methodological connection between philosophy and following selection of approaches to data collection and analysis (Denzin and Lincoln, 2005). The major research strategies include experiment, survey, archival and documentary research, case study, ethnography, action research, grounded theory, and narrative inquiry. These research strategies must not be considered as being mutually exclusive; and the key to the choice of research strategy is the reasonable and acceptable level of coherence through the research design which enables researcher to answer research questions and meet research objectives (Saunders, et al., 2015).

The research strategy for the research is the strategy of case study which has the capacity to produce insights from in-depth and comprehensive research of a phenomenon in its real-world setting, in order to present empirical description and develop theory (Eisenhardt, 1989; Dubois and Gadde, 2002; Eisenhardt and Graebner,

2007; Ridder, Hoon and Mccandleuss Baluch, 2014; Yin, 2014). Dubois and Gadde (2002) particularly indicate that in-depth case study is the best way to understand the interaction between a phenomenon and its context. The situation, the happening causes and the effects and implications can be identified by the designed in-depth inquiry (Saunders, et al., 2015)

Case study is described by Yin (2014, p.16) as “an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-world context, especially when the boundaries between phenomenon and context may not be clearly evident.” In fact, the real-life setting or context where a case is located can be viewed as a distinction from other research strategies. For instance, the contextual variables in an experimental strategy are strictly controlled to avoid the risk to jeopardize the validity of the research results; and in a survey strategy, the number of variables in terms of data collection limits the ability to explain and interpret the real-world setting (Saunders, et al., 2015).

Case study research is aiming to understand the dynamics of the theme within context or setting (Eisenhardt, 1989; Eisenhardt and Graebner, 2007), which refers to the understanding of the interaction between the case subject and the context; thus, it is fundamental to understand the context for case study research (Saunders, et al., 2015).

Although in the field of business and management research, the strategy of case study has been widely adopted for a long period, the doubt on this strategy exists, largely from positivist criticisms of adopting small samples and interpretive qualitative research (Saunders et al., 2015). The criticisms are described as ‘misunderstandings’ about the strategy’s capacity to make generalizable and reliable contribution to knowledge (Flyvberg, 2006) and have been countered in many scholars’ works (Flyvberg, 2006; Buchanan, 2012). In fact, as the qualitative and mixed methods are so widely used, the value of it has been recognized and the criticisms are generally losing favor (Denzin and Lincoln, 2005; Bansal and Corley, 2011).

Despite the limitations of case study include difficulties in defining scope, time consuming and confined generalization, it allows researchers to probe into the issues in the existing context and access to a depth of data (Cameron and Price, 2009). Compared with quantitative surveys which are too abstract to explain real-life environment, case studies with the nature of context-sensitivity are suitable to explain these complexities (Dobbins, 2010). There are four case study strategies according to two dimensions, namely single case versus multiple cases, and holistic case versus embedded case (Yin, 2014); and single case may be used if it is critical or unique, or be selected on purpose if it is typical or allows researcher to analyze a phenomenon (Saunders, et al., 2015). For instance, Wang (2010) uses a single case study to explore the approaches of western organization development to a Chinese state-owned enterprise; and when Huang and Shih (2011) extend the prevailing theories of learning organization in the context of Taiwan, they also adopt a firm as a case to verify the effectiveness of their transformational measures.

With regard to the research, Guilin QiYanGe Catering Service Management Ltd., Co., (hereinafter referred as QYG), a company majoring in sales and supporting services of edible bird nest. The profile of the company is attached in Appendix I. Based on the nature and objectives of the research and the methodology discussed so far, the reasons for choosing this company as the single case for study are as follows:

First, QYG is a small business operating in service sector and eager to keep a position under the current competitive circumstances of China. The nature of the company is in line with the research range. The growth of QYG is typical in the field of small businesses, so it represents the general growth pattern as a small business and strives to expand itself through gaining and sustaining competitive advantage.

Second, as QYG has chosen the strategy of building learning organization in order to gain sustainable competitive advantage, it shows great interests in the research and

looks forward to the results of the research which can provide implications and direction for their future development.

Third, the company offers opportunity for the researcher who thus can have access to the management and staff, which is critical to data collection for the research. Among all the companies and organizations contacted by the research, QYG is the one with quickest response and highest cooperative intention.

Finally, small business scale of QYG and their cooperation allow the research to complete the research within the limited time horizon.

## **4.5. Data Collection**

As the core of the research onion, data collection and data analysis consist of the specific research techniques and procedures. In this section, the method of data collection and sampling strategy are described in detailed.

### **4.5.1. Data Collection Methods**

What kind of method should be adopted to collect data should be decided by a researcher according to the nature of the research; observation, interview, questionnaire and focus group are the major data collection methods (Quinlan, 2011).

In the case of the research, interview has been selected by the researcher to collect the primary data for the research. Research interview is defined by Saunders et al. (2015, p. 388) as “a purposeful conversation between two or more people, requiring the interviewer to establish rapport and ask concise and unambiguous questions, to which the interviewee is willing to respond, and to listen attentively” and it is essential for an interview to ask purposeful questions and carefully listen to the responses to be analyzed further. Collecting data through interview can facilitate the researcher to obtain reliable and valid information which are relevant to research objectives and questions (Saunders, et al., 2015). Despite the disadvantages of interview as a data collection method, such as smaller sample size, lack of comparability and potential

misinterpretation, its advantages are evident in terms of face validity, flexibility, interactivity, information richness, meaning exploration and etc. (Cameron and Price, 2009). For instance, Wang (2010) adopts interview as the key method of data collection for the case study.

There are three types of interviews which are commonly mentioned, namely structured interview, semi-structured interview and unstructured interview (Cameron and Price, 2009; Quinlan, 2011; Saunders, et al., 2015). Compared with structured and unstructured interviews, semi-structured interview allows the interviewer to have pre-developed questions and proper margin to ask further questions to get significant replies (Bryman and Bell, 2015).

The questions for semi-structured interview have been designed and divided into two sets respectively for the management and the employees. The questions for the management aim at exploring how the case company to build learning organization for gaining competitive advantage, as leadership plays a critical role in implementing the strategy of learning organization; and the ones for the employees are formulated to find out the validity of building learning organization. The design of the questions is based on the instrument of DLOQ to explore the degree and effect of the case company on building learning organization. The interview questions are listed in the transcript in Appendix III. Besides the interviews, the information concerned the case company were collected from their online platform and conversation.

#### **4.5.2. Sampling Strategy**

Saunders et al. (2009) indicate that the selection of sample size depends on the sensibility and feasibility of data collection to address research questions and achieve research objectives. As a single case study, the researcher focused on one organization whose population is 25 to 30, including hiring part-time staff during peak seasons. The researcher has totally conducted eight interviews, in which four interviews were with two shareholders, one marketing director and one development director, and the other

four interviews were with employees working in customer service, regional agency, shop floor, and technology. As the researcher was not able to carry out the interviews face to face due to different geographical locations , all the eight interviews were carried out through online video chat by the applications of Skype, WeChat and FaceTime in approximately eight weeks from April to June, 2016. The length of each interview varied from 20 minutes to 45 minutes; and all interviews were recorded, transcribed, and translated afterwards. The translated transcription is provided in Appendix III.

#### **4.6. Ethical Consideration**

Ethics refer to the behavior standards which guide researcher's conduct regarding the rights of those who are subject or affected by it; and the ethical issues which may arise from the choice of research strategy, such as accessing to organizations, and collecting or managing data, should always be carefully considered (Saunders, et al., 2015).

Although Bell and Bryman (2007) indicate that university's code of ethics or ethical guidelines are too abstract to prevent misconduct, Saunders, et al. (2015) state that it is likely to be guided by such codes with careful interpretation of the ethical terms and discreet application to the context of the research. Therefore, with the involvement of human participation, the research follows the guiding codes governing the ethical conductance at NCI, namely respect for persons, beneficence and non-maleficence, and justice.

All data obtained are with permission from the case company. The consent form was provided for all interviewees to confirm their voluntary participation. All interviews were transcribed and stored in the researcher's laptop and a protected USB flash disc. The transcription and findings were shown to the participants for verification and confirmation. All data about the case company and the interview participants are in total confidentiality.

## **4.7. Pilot Interview**

Before conducting the formal interviews, the supervisor of the researcher assessed the questions for the semi-structured interviews to help the researcher make sure the questions can actually reflect and meet the research objectives. Then the researcher conducted a pilot interview on a shareholder of the case company. The outcome shows the content and layout of the questions are suitable for the research. The researcher was also advised to pay attention to the wording of the questions for interviewees with different positions and educational backgrounds in order to obtain valid and reliable data from the interviews.

## **4.8. Reliability and Validity**

According to Saunders et al. (2015), in qualitative research, the role of reliability and validity is contested. Reliability means consistency and replication; and validity essentially refers to the suitability of the adopted measures, the analysis accuracy and the findings generalizability.

When considering reliability, the consistency during a research project should be kept in order to ensure the internal reliability; and the adopted data collection methods and analysis procedures should be able to produce consistent findings when they are repeated or replicated in order to ensure the external reliability; more importantly, the key to ensuring reliability is to make sure the research process is well-planned and managed without any false assumptions or logic leaps (Saunders, et al., 2015). In the case of the research, the methodology was carefully considered and implemented to possibly avoid any errors or bias from the participants or researcher.

When considering validity, Saunders, et al. (2015) describe that there are two techniques for validation to evaluate and verify research data and interpretation for the validity or credibility or authenticity, namely triangulation, and participant or member validation. In the case of the research, the second technique was adopted in order to

guarantee the validity of the research. The collected data which refer to the interview transcripts were sent back to the participants, so they can confirm the accuracy by commenting or correcting them.

#### **4.9. Limitation**

The major limitation of the research methodology is regarding generalization of the results. Considering the complexity and diversity of the context in China, it is unwise to assume that the data collected and results produced from the single case study could represent all small businesses in this country.

Another limitation is resulted from geographical locations. As the case company is based in the south of China and the researcher is based in Dublin, the online video chat became the only relevantly available and flexible way for interviews, which, on the other hand, limited the researcher to have better observation during the interviews, such as body language.

Finally, as translation was needed for the transcript from Mandarin into English and sometimes from local dialect into Mandarin, although the researcher tried best to translate the transcript, the original flavor of the interviewees' statement may be lost.



## **Chapter 5 Findings**

As the data were acquired respectively from the management and the employees, the findings are presented below in two sections according to the interviews conducted, namely findings from the management interviews, and findings from the employees interviews.

### **5.1. Findings from the Management Interviews**

Among the participants for the management interviews, two of them are shareholders responsible for sales; the third is in charge of marketing and branding; and the fourth is in charge of research and development. As the participants have been working in this company for three to four years since it was established in 2012, it is believed that they have witnessed the growth of the case company and are capable to provide in-depth insights and opinions on learning organization to achieve the objective and sub-objectives of the research.

A point shared by every interviewee is that they all acknowledged the significance and necessity of learning, particularly in a context of China which is characterized with rapid changing. The management of the case company showed a high level of attention and emphasis on building learning organization in their own company. The understanding of the management on learning organization focuses on continuous learning, innovation, talent development, fostering learning environment and gaining up-to-date professional knowledge and management concepts. Based on the understanding on learning organization, the case company has decided to implement the strategy of building learning organization to stay competitive in the market. The competitive advantage from the perspective of the management in the case company can be identified and ranked in the order of stable supply source of raw material, young team, and excellent service quality from well-trained staff and diversified sales channels according to the times mentioned by the management. Among all interviews

conducted, only one interviewee thought that the case company is already a learning organization because of the high level of investment from the company. All the rest interviewees believed that they are not a learning organization yet, but they are very confident to successfully build it and realize the benefits which can be brought by learning organization. A common point made and emphasized by all interviewees is that learning organization is a way to gain and maintain competitive advantage. Some interviewees further indicated that even though they thought that building learning organization is not the only way to obtain competitive advantage, they believed that learning is the fundamental and ultimate way to help them survive and grow in such a harsh market through gaining and sustaining competitive advantage.

On their way to build learning organization, the case company has not formulated a standardized company culture. The participants are found to have different opinions on the general culture of the case company. At the company level, some interviewees thought that the brand which is the image of the company can represent the culture; while at the individual level, the interviewees believed that the company culture is the environment where people within the company are encouraged to be open-minded, innovative and growth-seeking. The case company is found to utilize internal and external training programs to improve the technical skills and management expertise. The specific activities include field study, online and offline training program, and team learning. Moreover, the case company also encourages the employees to express their opinions and ideas on works and training programs, so the company can use these data to alter their strategies and training plans. Another point which was indicated by one interviewee and should be noted is that the financial support from the company is very important to build learning organization.

During the process of establishing learning organization, most of the interviewees agreed that the measures they have adopted are useful, even though one interviewee pointed out that different individual acceptance levels may not ensure all measures

working, this interviewee did admit that most measures working is a great achievement. The management believed that the support from the top and the cooperation from the below guaranteed the valid effect of these measures. As for the position of leadership in the process, the participants presented a unified answer that they all believed that leadership is critical to build learning organization and this point cannot be omitted. The spiritual encouragement and financial support from the top and the orientation role of leadership are thought to be essential. The power of leaders as role models and the requirement for obedience are also the points found in the case study. The participants pointed out that the willingness of a leader to learn and accept new things can influence the members in an organization and facilitate to foster the learning environment; and they all believed that obedience is a part of traditional Chinese culture and should be utilized to direct the staff's behaviors.

## **5.2. Findings from the Employee Interviews**

The interviewed four employees have worked in the case company for one to three years. Their jobs cover online and offline sales, delivery, customer service, and research and development. The interviewees' different duty spectrums and working periods can present different insights on the company's development and on the research itself.

The employees were asked to describe the case company culture and their understanding on learning organization in the context of China. The interviewed management was also asked the same questions. Unlike the different answers to company culture given by the management, all interviewed employees agreed that the culture of the case company is to provide the best product to customer and make the brand more acceptable and more popular. The point obtained from the answers to the question is that the provision of best customer service has been agreed and fostered as a common view or a shared vision for the employees in the case company. The employees' understanding on learning organization in China indicates the same

recognition and acknowledgement on the significance of building learning organization as the management's understanding on this point. Thus the entire case company from the top to the bottom has formed a consensus on fostering learning environment and building learning organization in their company. What is different from the perspective of the management is that the understanding from the perspective of the employees is more focused on individual level. For instance, the employees believed that sufficient learning opportunities provided by the company for their staff should be a point of learning organization. The employees want to harness the learning opportunities not only for the company growth but also for the personal development. Moreover, continuous learning and innovation are also believed as a part of learning organization by the employees interviewed.

As for fostering learning environment within the case company, the interviewees all agreed that they have been provided with learning opportunities and activities by the company, such as various training programs, exchange meetings and invited professionals with food processing expertise, to help them understand how the products can be made and how good service quality can be delivered. Three employees whose jobs are related to sales believed that they are encouraged to propose their own ideas and opinions and also report the customers' opinions. One of the three employees mentioned that the company provides feedback on their opinions, which shows the open dialogue exists in the company. One interviewee who works in research and development said that dialogue is not necessary in his field, but he admitted that recognition and acknowledgement by team are important. To some extent, this finding shows that the case company's focus on sales has promoted the company culture of providing best customer service and successfully fostered this environment within the organization. With all the learning opportunities and activities, all interviewees thought they have team learning and one of them claimed that they are a "learning team". They understood in a way that the team learning should be a platform where they can propose

and exchange their thoughts and learn from each other. This platform provided by the case company includes meetings, online group and large-scale training. Additionally, one interviewee indicated a concern which the young team may make team learning more challenging, as young members of the company may have various interests in learning and a certain extent of uncertainty which may result in different acceptance levels. This finding is in line with the one from the management interviews, which the implementation effect of all company's strategies and policies cannot be guaranteed to meet the expectation.

As an important dimension in culture of learning organization, a system to share learning is found to be paid great attention by the case company. The meetings and online and offline discussions are the forms utilized by the case company to facilitate the member of the company to share and exchange the ideas and thoughts about what they have learned and what they should learn in the future. Some interviewees thought the customers' feedback and sales volume can be the indicators to reflect the outcomes of learning activities implemented by the case company.

At the end of each interview, every employee was asked in their opinion which measures utilized by the case company is most effective to build learning organization. Online training platform was most frequently mentioned. This platform does not only contain various program but also invites customers to join the online groups, which can improve the learning effect and at the same time promote the company's brand, particularly through the online discussion to share knowledge and information. Furthermore, the participants also pointed out that timely strategy correction and adjustment based on regular summary and problem identification are useful to foster the learning environment and build learning organization.

## **Chapter 6 Discussion**

The objective of the research which contains six sub-objectives is to investigate if the small service-sector businesses in China can gain and sustain competitive advantage through the way of building learning organization. The data required by the research were gathered mainly through interviews; and the findings formulated in the last chapter are analyzed and discussed below by situating them in the literature review to indicate how the outputs of the research meet the objective and the sub-objectives outlined in previous chapter. The discussion is proceeded from the following three aspects.

### **6.1. Ways to Gain and Sustain Competitive Advantage**

The findings of the research show that the case company has the faith in that learning organization is a way to gain competitive advantage and learning can facilitate them to survive and develop in the fast-changing market. This major finding is in line with the theory of using learning organization as a strategy to gain competitive advantage studied by a number of scholars and researchers (Narver and Slater, 1990; Calvert, 1994; Senge, 2006; Davis and Daley, 2008; Gronhaug and Stone, 2012).

The conventional strategies to gain competitive advantage include cost leadership, differentiation and focus (Kurian, 2013). The competitive advantages identified through the interviews with the management, include stable supply source, excellent service quality and young team which accord with these strategies. Stable supply source means stable and favorable cost; excellent service quality helps the case company differentiate from other competitors; and young team ensures the case company to be equipped with knowledge and skills. According to Saha and Gregar (2012), namely relying on human resource to gain and grow competitiveness through learning and development, the results of the case study prove the construct proposed by them. The case company has realized that human resource is the carrier of the possessed competitive advantages and invested time, fund and manpower in talent development in other to respond faster

to the changing market than their competitors do. Thus, the strategy determined by the case company to be a learning organization can be viewed as a source to create and keep competitive advantage.

From the perspective of dynamic capabilities, Teece (2007) indicates that a firm must acquire and possess these unique and hard-to-replicate capabilities to keep the competitiveness; Zollo and Winter (2002) state that organizational learning is the source of dynamic capabilities. In order to grow dynamic capabilities, Eisenhardt and Martin (2000) point out that learning mechanisms can be used as the guide to accumulate knowledge, integrate experience into work routines and etc.; Swift and Hwang (2008) agree with this opinion which learning mechanism can create and grow dynamic capabilities. The output of the research shows that the case company has provided various training programs and learning opportunities to equip their employees with professional knowledge, skills and techniques; thus the capabilities possessed by the staff can ensure them to offer better services for the customers than their rivals do and keep the case company competitive in the market.

Moreover, although the case company has realized and emphasized the role and position of learning organization in gaining and sustaining competitive advantage and has implemented various measures to build it in the organization, the output of research shows that the case company has also realized the necessity to explore other ways to stay competitive mainly due to the concern that building learning organization is a long-term process.

## **6.2. Understanding on Learning Organization**

Based on the case study, the information collected from the case company shows that the general understanding on the concept of learning organization is comprehensive.

Both the management and the employees interviewed have realized the critical role of

building a learning organization in the case company. This finding is in line with one of two categories defined by Garavan (1997) about the concept of learning organization, namely viewing learning organization as a variable which can be designed and built to produce positive influence on the organization. Different from the other category indicated by Garavan (1997) to view learning organization as a version of culture, the culture of the case company is varying from different viewpoints. However, the case company has the awareness that learning organization is not an ultimate destination after a long-way journey requiring effort and impetus, but a process, a status or a type of organizational pattern.

Moreover, the data from the case study also indicate the difference of understanding between the management and the employees. The management focuses on continuous learning, learning environment, talent development and other aspects related to the strategic growth of the company, while the employees pay more attention on learning opportunities and believe these learning opportunities should be provided by the company. The management's understanding on learning organization supports the study of Garavan (1997) which emphasizes that the critical understanding of learning organization concept covers encouraging staff to learn, regarding the company in a state of change and learning from the change process; and this understanding also matches the theory proposed by Mintzberg and Waters (1985) and Mintzberg (2000) that learning processes can produce strategic growth. On the other hand, the understanding of the employees on learning organization is slightly limited. Only focusing on the learning opportunities within the range of the company shows the deficiency of understanding on a learning organization which can proactively respond to the changes in the world (Wheelen and Hunger, 2012).



### **6.3. Building a Learning Organization**

Although the company culture of the case company has been found different from the perspectives of the management and the employees, the case company has fostered and shared a clear mission sense or vision among the employees, namely the provision of best customer service; furthermore, the environment within the case company which can encourage members to be innovative, open-minded and growth-seeking through various learning opportunities and activities can indeed facilitate the employee development and thus maintain the brand competitiveness. Being a startup, the environment or culture of the case company is very pragmatic and learning-focused, which agrees with the belief of Elkin, Cone and Liao (2009) and Elkin et al. (2011) that learning organization may be a natural destination of Chinese organizations, because the combination of rational Chinese pragmatic perspective and emphasis on learning forms a perfect match with five-discipline model proposed by Senge (1990) to identify and establish a learning organization.

However, learning organization will not be naturally formed without guidance and well-planned measures. The research output shows that the case company has implemented a number of measures to foster organizational learning environment or culture and establish learning organization. These measures utilized by the case company are in line with the updated model for establishing learning organization proposed by Farrukh and Waheed (2015) incorporates the general characteristics in terms of innovation, information sharing, facilitative leadership, empowerment and personal mastery.

Among these measures, the case company has particularly stressed the support from the top and the cooperation from the below. As for the support from the top, the relationship between learning organization and leadership and the vital role of leadership in building learning organization have been elaborated and emphasized by a number of researches (Marsick and Watkins, 2003; Moilanen, 2005; Werner and DeSimone, 2006; Elkin,

Zhang and Cone, 2011; Hee Kim and Callahan, 2013). In the context of China, the small businesses need the guidance and financial assistance, because lack of financial resources and lack of training and consulting are on the top list of barriers of difficulties identified by Yu and Bell (2007) for small businesses. Thus, the role of leadership appears critical and essential. This point has been proven in the case study.

Furthermore, proactive learning by the management themselves is also a point indicated by the case study. Leaders' awareness and willingness to learn is an important component in the process of building learning organization, which agrees with one of the strategies proposed by Wen (2014) to establish learning organization in China, namely constructing a leader learning team. As for the cooperation from the below, the case study shows a certain extent of obedience is necessary. While young team which is quite often to be seen in startups is an advantage to be vigorous and competitive in any industry, the uncertainty and emphasis on personality may become a big challenge for companies which desire to build learning organization. Furthermore, as a part of traditional Chinese culture, requirement for obedience can be used as a way to obtain cooperation.

Among the learning activities and measures implemented by the case company, the online learning groups used as a learning measure stand out, which has similar role as the network utilized by Hewlett-Packard and British Petroleum (Lei, Slocum and Pitts, 1999; Goold, 2005) and the PeopleShareNet developed by Siemens (Veolpel, Dous and Davenport, 2005), and also has shown a special and unique function created by the case company. It does not only show the usefulness of e-learning in the process of building learning organization, but also present an alternative for small businesses in service sector to expand the business, as customers are also invited to join the learning group. Thus, this may be used as a new way of branding small businesses. Additionally, regular summary and problem identification are also shown by the case study to timely adjust training content and strategic implementation.

As for the evaluation of learning outcomes, in the context of small businesses in service sector, the case research indicates that customer feedback and sales performance can directly indicate the organizational learning effect. Small firms focus more on direct and straight benefits for survival and growth. At the beginning of business growth, positive word of mouth from customers allows them to timely adjust plans and strategies and quickly respond to the market changes. The case company has used these two indicators to assess the effect of learning activities and programs to decide if they need to alter the training content or change development strategies. Meanwhile, they also think that establishment of formal performance appraisal system should be set up as a goal for the company development in the future when the business is expanding and more talents join them.

# **Chapter 7 Conclusion and Recommendations**

## **7.1. Conclusion**

The recent national economy changes in China have brought the public attention to the market which is well known for diversity, potential and challenges. As the engine of the country's economic development, small businesses in China have been playing an essential role and also facing various challenges due to the rapidly changing environment. The priority of the small companies and organizations is how to gain and sustain their competitive advantage in the market. As learning organization has become a hot topic in academia and real business world and the prevailing study in China on learning organization calls for more case study research in this area, to investigate if small service-sector businesses in China are able to stay competitive through building learning organization is the objective of the research which has been met through the methodology of case study. The researcher is hoping the research can fill the gap identified in literature on learning organization in small service-sector businesses in China and meet the call for more case study research in this area.

Through the methodology of case study which was carefully selected, discreetly designed and prudently implemented, the research has successfully explained the concept of learning organization which was originated in the West and is characterized with the flavor of the East. The history of gaining competitive advantage in the academic area of strategic management has been reviewed and then the logic of why learning is the key dynamic capability and why learning organization is the source of competitive advantage have been presented. A small company in service sector in the context of China has been chosen as the research subject to exemplify how they are trying to build a learning organization within their company, deliberate what kind of measures they have been implemented, and evaluate how effective and efficient of their endeavor.

Based on the case study, the output of the research has shown that building learning organization has been adopted as a major strategy to obtain and sustain competitive advantage in the market. Although the origin of the concept of learning organization is the West, the entrepreneurs in China have planted and grew this concept in the soil of the East. Due to the rapid changes in the market of China, the significance and functions of learning organization have been totally understood and accepted as a way to maintain competitiveness. This finding is in line with the majority of learning organization literature. What is characterized with the flavor of China is the building of learning organization focuses more on training staff than on leader learning, which does not mean that leadership is not important in the building process; contrarily, the supports from the top, especially the guidance and financial assistance and, are believed by small companies and firms as one of the most critical elements.

Furthermore, more and more leaders have realized the significance of self learning and shown awareness and willingness to learn in order to foster the learning environment within their organizations. The case study has clearly indicated this point. On the employee side, as the Chinese culture advocates obedience, employees are open to learning opportunities and regard these opportunities as a way for their personal development. Yet, the various acceptance levels and interests of staff in learning, especially the young members of the team, can be a challenge for small firms to guarantee that all learning strategies and programs can be implemented as expected. It is also noted that over emphasis on obedience is not good for nurturing staff to be innovative and creative. The balance between what staff are supposed to do and what they desire to do should be carefully controlled by organizations.

What is unique for the case company to establish the learning organization is they invite the customers to join the online learning groups on their platform. This form of learning, discussion and sharing combine learning new knowledge and branding the company. On one hand, it helps customers get to know more about the products and

services; on the other hand, it encourage the staff to share what they learned from daily works and training programs and facilitates them to quickly learn the feedback from customers. All these activities have made contributions to fostering learning and optimizing company image in the market. This type of measure which integrates learning with branding is worth to be paid more attention from the business developers and academic researchers.

## **7.2. Recommendations**

The case company has made a great progress on implementing the strategy of building learning organization and indicated that developing the learning capability for both the management and employees is a fundamental way to stay competitive in the market. Yet, based on the research, there is still room for small service-sector businesses in China to improve the endeavor and effort to implement the strategy of learning organization to gain and sustain competitive advantage in the market. The following recommendations are being formulated to enhance the effectiveness and efficiency of implementing the learning organization strategy.

First of all, due to the diversity of the small businesses in China, the companies which have decided to implement the strategy of learning organization should totally understand their own condition and tailor the strategy according to their own specific situation in order to fully harness their current resources which are possibly limited, and optimize the effectiveness and efficiency of the strategy implementation. In order to avoid the situation that building learning organization becomes just a catchword or slogan, the leaders should have a full understanding of the concept and the employees should be provided with survey to know their knowledge about it. The online questionnaire can be used as the form of survey to keep the implementation convenient, effective and low-cost.

Besides providing various learning and development activities for employees, the leaders' awareness and willingness to learn should also be further emphasized to foster the proactive learning consciousness from the top level. Plus, the conventional advocacy for obedience and the power of role models can facilitate the employees to imitate the positive behavior of leaders, help the learning consciousness drip down from top to bottom, and then successfully establish the learning climate within the whole organization.

Third, the form of online learning group should be fully utilized and optimized. For instance, webinars can be hosted to invite the professionals as lecturers and allow learners to freely ask questions. Current customers and potential clients can also be invited to joint the online discussion. By doing so, knowledge can be conveyed and shared and business opportunities may also be created. This new form of learning deserves more attention from the business world and academic field.

Last but not least, as human resource is the foundation to rely on to implement various strategies and plans, the human resource practices in the entire system of human resource management should be strategically and prudently planned, organized and implemented, such as recruitment and selection, learning and development, performance appraisal and retention. For instance, companies can harness the competency frameworks which conform to their own values and goals to source and recruit the talents with particular traits, personalities, skills or experience, such as desire to learn, and capability and flexibility to transfer learning into practice. While providing learning and development programs, sufficient retention plans should also be formulated to avoid loss of talent and negative effect resulted by high employee turnover.

### **7.3. Implementation**

As for the implementation plan for the recommendations, most of the measures can be carried out online in order to realize high effectiveness and low cost which are emphasized by any company, especially the small ones. The priority is to understand itself conditions and determine the suitable direction. As building learning organization has been considered as a long-term process, so the time of scale for the implementation is depending on individual situation of the organizations which wish to adopt the learning organization strategy and achieve their goals.

### **7.4. Limitations**

As mentioned in the chapter of Methodology, the limitations of case study is mainly regarding generalization. Although the case company was selected as a typical small business in service sector in China, the findings of the research cannot be granted as identical in any small business. Additionally, the form of online interview and the translation between Mandarin and English also limit the research to produce more fruitful findings.

### **7.5. Future Research**

The researcher suggests that, as China is the second biggest economy in the world, the economic potential should be furthered studied and emphasized. More case studies should be undertaken for the sectors like service, finance, manufacturing and IT which are the leading forces in the market. Meanwhile, the future research should also explore more about the combination of learning and branding in form of seminar, conference or webinar surprisingly founded in the research. If interview is selected as the method of data collection for research, the face-to-face form should be used as possible as the research allows in order to overcome the limitation produced by online conversation.



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## **Appendix I Company Profile**

The full name of the case company is Guilin QiYanGe Catering Service Management Ltd., Co. (hereinafter referred as QYG). The company was established in 2012 and has been developing prosperously with a core team which consists of 25 people. The major business of QYG focuses on the sales and relevant services of edible bird nest which is also named as swallow nest created by swiftlets' saliva and harvested for human consumption. Edible bird nest has been believed as a valuable and precious nutrition for good health in Chinese culture since Ming Dynasty (1368-1644), thus edible bird nest consumption has always been popular in China and then created a huge market for business.

Being a new startup, QYG has sensed not only the huge market potential, but also the fierce competition; therefore, the company has adopted an innovative operation mode which combines the traditional shop floor sales and the online sales on the platform of WeChat. The operation mode has helped the company grow from nothing to current shining brand in the market of edible bird nest. Moreover, as the company is located in the very south of China, where is close to Indonesia, the place of origin of edible bird nest, QYG has advantage in stable high-quality raw material supply and relevantly low cost.

However, the fierce competition in the market and also in the macro-economic environment of China have presented a number of challenges for the company's management to gain and sustain competitive advantage, such as securing brand in the market, keeping up-to-date technology for bird nest cuisine and meeting customers' needs; therefore, the company has decided to keep pace with the changing market through building learning organization which facilitates the company to develop and makes the strategic changes smooth within the company.

## **Appendix II Interview Consent Form**

The purpose of the research is to explore whether the small service-sector businesses in China can gain and sustain competitive advantage through building learning organization.

Participants will be involved in the research solely on a voluntary basis by taking part in online interviews which will be recorded and transcribed for analysis purpose. The interview will last approximately 30 minutes. Full anonymity is guaranteed. Participants are entitled to withdraw comments wholly or partially during the interview.

By signing the consent form, participants fully understand the research purpose and give permission to be voluntarily involved in the research on an anonymous basis.

Participants are aware of the participation will not be compensated.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## Appendix III Interview Transcript

There are eight interviews conducted in total. The Participant 1 to 4 are from the management team of the company, who are two shareholders, one marketing director and one development director, and the Participant 5 to 8 are from the employees who are working in customer service, regional agency, shop floor sales and technology. The transcript of the interviews is as follows.

### *Interviews with the management*

#### **Participant 1**

1. What level of position are you in and how long have you been in working in this company?

I have been a shareholder and also a sales representative for the company for almost three years.

2. What do you believe to be your company's main competitive advantage in its industry?

I believe that the advantages we are having include two aspects: First of all, we possess the stable and high-quality supply source in Indonesia; so we are able to guarantee that all marketable products are of superior quality from traditional pure manual work and without any addictive. We adhere to this high production standard which is hard to be achieved for each company in the current bird nest industry or the entire food production sector in China. Also, our entrepreneurial team is full of life and the shareholders and employees are young and energetic, so our team learning capability and innovation capability are excellent.

3. Describe the culture of your company?

As we are a young company, the enterprise culture has not been standardized. As far as I understand that means we do not have any terms or conditions in the staff handbook

to restrain or standardize staff's behaviors. We are more inclined to encourage our employees to be innovative and differential. The relationships among the team members are more cooperative and partner-like; and everyone is playing to their strengths. Additionally, we have very clear goal for the company which is to become the top brand with great influence in this industry. Our brand concept is to let customers enjoy the high-end services, as we are not only the supplier of high-quality bird nest, but also the advocator for light-luxury life style.

4. What is your understanding of what a learning organization means, especially in the context of China?

In my opinion, I think the learning organization should be the one which can acquire and transmit knowledge through various channels and also change and correct itself in the way of learning. In the context of China, I believe it is vital for enterprise or company to establish the learning organization. Why do I believe so? Because every industry or sector is seeking the specific way to develop themselves in this rapidly changing environment; the more important is to achieve the goal by continuous learning, replenishing and innovating; otherwise, the individual without learning awareness will fall behind others and the company which fails to learn will be weeded out of the competition.

5. Do you think your organization is a learning organization – if yes do you think that it might be a means to gaining competitive advantage? Please explain.

I do believe we will be a learning organization. Being a young and energetic company, we do not have too much experience as our competitors have, so we must keep learning in order to stand and grow in this industry, not only learning from what others' strong points, but also from their weak points. Only by learning in this way can we obtain the advantages in the competition.



6. What kind of measures has the company adopted to establish itself as a learning organization?

There are three major ways. Firstly, we regularly send our employees to Indonesia for field study, so they can directly understand the bird nest production, quality and sales process; secondly, we have hold internal meetings of experience exchange on regular basis; finally, the online training program is hold every month.

7. Do you think these measures are working? Please explain.

These learning measures are necessary for the company development. Employees are able to increase their professional knowledge, exactly know their work values and clearly understand how they can contribute to the company; in this way, the employee's individual objectives and values can reach an agreement with the company's goals.

8. What position or function of leadership do you think is in the process of fostering learning organization culture?

I think it is very important. Leadership cannot be referred to requiring simple obedience which every employee should follow the superior instructions. It should be the behaviors which can command and encourage the team members to do their utmost in order to achieve the goals.

## **Participant 2**

1. What level of position are you in and how long have you been in working in this company?

I have joined the team since the company was established, so about 4 years. I am a shareholder and also the Sales Director. My job is to promote sales and manage the sales representatives.

2. What do you believe to be your company's main competitive advantage in its industry?

In this service industry of edible bird nest, I think our advantage is the flexible sales mode. Besides the traditional retail store which can provide face-to-face shopping experience for customers, we also utilize the platform of WeChat which is the largest social media in China or even in the world, so far as I know the active users of WeChat are about 700 million. We have our own enterprise WeChat account, it is like our company's website which is more convenient for customer to understand our service process and place orders. It is very easy to shop our products on WeChat, customers don't even need to open their computer, just use their cellphone to complete the purchase and then wait for our door-to-door delivery. And yes, we are not the only company using this sales mode, but we believe our service quality is the best, as our sales volume and customer feedbacks allow us to be confident.

3. Describe the culture of your company?

We don't have profound enterprise culture, as the company is a startup after all. Personally, I feel, as a small company, our culture is boss culture. What the boss values is the company's focus.

4. What is your understanding of what a learning organization means, especially in the context of China?

We all know an old saying about learning in China. Learning is like sailing towards upstream, no advance means dropping behind. Doing business in China is like sailing against the current, the competition requires us to keep moving forward, standstill means to be weeded out, especially for us small business. So we have to learn and absorb the sophisticated strategic management concepts, follow the trend of our times, focus our own people and cultivate the management team and talents; only in this way, the company could grow stably in long run. And this is what I understand about learning organization.

5. Do you think your organization is a learning organization – if yes do you think that it might be a means to gaining competitive advantage? Please explain.

I think it's not a problem, like can your organization be a learning organization, it's like we must become a learning organization, at least I believe so. As for manager, if you don't learn to keep up, you are not able to effectively manage the business and your staff; as for the employees, they can't fulfill duty if there is no training. Particularly for our service industry, the quality of the service team is very important. The reason we have to build learning organization is that we could develop high-end service quality through learning and developing our team. As I said before, good service quality is our competitive advantage, and yes, building learning organization can definitely facilitate us to achieve this point.

6. What kind of measures has the company adopted to establish itself as a learning organization?

We provide external and internal training programs for our people. To financially support us to do this, we have the training portion in the annual budget. Specifically, for the external training, we send our staff abroad for field visit, production base internship and etc.; for the internal training, we have regular seminars for edible bird nest knowledge to increase our staff expertise, so they can work with confidence. Meanwhile, we listen to the employees and adjust our training according to their opinions. Of course, we also have a lot of programs in the stage of planning.

7. Do you think these measures are working? Please explain.

Yes, of course they are working! First, the senior management focuses on learning, and this facilitate to build the learning environment within the company and let the below follow the behavior of the above; second, our employees are conscious and willing to participate the training programs and voluntarily to learn when they sense something new beyond the company's training content. Learning can be a feature of our team spirit. So the quality of our team can be regarded as the number one in the industry.

8. What position or function of leadership do you think is in the process of fostering learning organization culture?

Important, very important! I believe learning organization cannot be built without the support from the senior management. From the financial point of view, the formulation of learning organization needs investment of fund and manpower, and this cannot happen without the support of the leaders. Like I just said, only from the perspective of developing learning environment within the company, the below will follow the behavior of the above, if the leaders don't stress learning and then they can't require the staff to do so. This point is very obvious in the domestic enterprises.

### **Participant 3**

1. What level of position are you in and how long have you been in working in this company?

I am the Marketing Director of the company and I have been working here for three years.

2. What do you believe to be your company's main competitive advantage in its industry?

I think our advantage is fresh and healthy raw material. Our raw material source has been strictly inspected and tested to guarantee the supply is stable and high-quality.

3. Describe the culture of your company?

As I work for marketing, so I think our company's culture is our brand which is to provide healthy food and beverage for customers.

4. What is your understanding of what a learning organization means, especially in the context of China?

I understand that leaning organization should have a favorable learning environment within the company which can encourage both boss and staff to positively participate in the company's development and decision making and accept the new management concepts, cooperation mode and etc. Especially in our country, a rapid developing country, enterprise learning and transformation refer to survival. The national changes happen every day and the national policies keep changing as well, a company may stand

a chance to survive if it can keep learning and accumulating knowledge to adapt to the social development trend.

5. Do you think your organization is a learning organization – if yes do you think that it might be a means to gaining competitive advantage? Please explain.

Yes, I think we can be a learning organization. We are on the way to do so, but it cannot be built and completed overnight, it needs time. And yes, I think it is a way to gain competitive advantage. I prefer to describe the relationship between learning organization and competitive advantage like this, learning may not produce instant benefit for organization, but refusing to learn is absolutely unacceptable in current market. There are loads of ways to stay competitive in the market, building learning organization is an ideal level or route to be competitive. I agree to use the strategy of learning organization to gain competitive advantage, at the same time, I also advocate to explore other ways to win the market, like lowering the cost.

6. What kind of measures has the company adopted to establish itself as a learning organization?

We encourage the employees to speak out their own opinions and ideas. Those opinions and ideas which are favorable to the company's development and customer service will be timely given feedback. We want our staff can work happily without any negative emotion, so the right to speak is possibly given to the staff. Certainly, obedience is also stressed by the company. The employees should comply with the company's decisions and rules. Team learning is another measure we use. We often hold the seminars to exchange ideas among the teams. We send our managers to the megacities, like Beijing and Shanghai, to learn new management concepts and bring those new knowledge back. As a leader, I am willing to invest money in talent development and hope more talents can stay with us in long term. As an employee, I hope to improve myself through learning too.

7. Do you think these measures are working? Please explain.

Certainly! Our thriving business is the proof. But I have to admit that the results of learning cannot achieve the expectation every time. Learning for change is to correct the flaws in the mechanism. Learning itself is not easy; and transferring what have learnt into the actual works is more difficult and sometimes hard to realize or hard to suit the company's development need. Based on this point, I think evaluation is critical to see if the company needs to alter the decisions made.

8. What position or function of leadership do you think is in the process of fostering learning organization culture?

I think leadership is critical, especially in our country. Although we do not require absolute obedience like Japan, obedience is a part of our culture. In service industry, particularly for the small business like us, this point is more obvious. The advocacy of building learning organization is not just a slogan or catchword, it needs to be detailed and oriented; and this is the job of leaders.

**Participant 4**

1. What level of position are you in and how long have you been in working in this company?

I have worked as the Development Director for the company for three years.

2. What do you believe to be your company's main competitive advantage in its industry?

Young team mates! At least in our department, our people are young and vigorous. They are willing to quickly and effectively accept new ideas, this is very important for development. Also, the company's strategies are easier to be carried out.

3. Describe the culture of your company?

I cannot sum up precisely our culture as we are so young. But personally I can always feel the environment within the company is helping people grow and develop. In our department, we are always open to new ideas and opinions and happily to learn new things.

4. What is your understanding of what a learning organization means, especially in the context of China?

Learn and accept the new professional skills and new management concepts to adapt to the market trend. This is my view on learning organization. We have seen a number of examples that firms which stand still and stop moving on when they grow at a certain level, adopt invariable operation mode and refuse to learn and change, then are surpassed by peers or weeded out by the market. These examples indicate that, in China where winning market is so hard, companies need to learn at all stages of development to keep their competitive advantage. Our department needs to keep our product up-to-date in order to suit the customers' demand.

5. Do you think your organization is a learning organization – if yes do you think that it might be a means to gaining competitive advantage? Please explain.

Yes, I think we are a learning organization. Our company has invested loads of time and resources into this. I feel although there are many ways to keep advantage in market, learning is a fundamental way which can help company become flexible and diverse, of course, it will allow the company to have advantage in competition.

6. What kind of measures has the company adopted to establish itself as a learning organization?

Field trip, regular internal exchange meetings, training program from hired trainers. These are the measures we have used to improve the team learning effect and advocate knowledge sharing. I think this is a key part in building learning organization. Moreover, we collect data from learning and training processes and content and link them with the organization's demand and objectives to determine and evaluate the training value and quality. In this way, we can examine the leaning outcome and also improve our team quality.

7. Do you think these measures are working? Please explain.

Most of the learning activities are working, I feel it is quite brilliant. I do expect higher and better outcome, but individual acceptance levels vary. We cannot promise the implementation effect of all policies and strategies could meet the expectation.

8. What position or function of leadership do you think is in the process of fostering learning organization culture?

Can't be more important. The opinions of leaders are the direction of company's development. If the direction is unclear, we don't even need to talk about fostering learning organization culture. I think a leader who is willing to accept new things is important to a company, as his or her behavior can influence the staff.

### *Interviews with the employees*

#### **Participant 5**

1. How long have you worked in this company?

I'm in this company for three years. At beginning I was only in charge of delivery within the city and now my duty also covers online sales and customer service.

2. Describe the culture of your company?

In my opinion, our culture is to try our best, including using all resources and manpower, to present our products in a most beautiful and most healthy way and deliver the double enjoyment of vision and taste to our customers.

3. What is your understanding of what a learning organization means, especially in the context of China?

I think a learning organization refers to a kind of status that every member in the organization could have learning opportunities as much as possible to enrich the individual experience and pave the foundation for the future. Only when every employee is in the mode of learning, the team can be the learning organization. This is essential in China, no enterprise refusing or stopping learning can survive or grow for long.



4. Does the company create any opportunity for you to learn? Please provide details.

Our company has provided a lot of learning opportunities for us, mainly internal training programs. As I also work in customer service, so I must be very familiar with nature of products, production process, details of each large-scale activity and etc. The internal training programs can provide us with all this type of information and knowledge, so it is crucial for us.

5. Are you encouraged to make inquiry and dialogue within the company? Please explain.

We are encouraged to positively take part in the company's development and innovation; at the same time, the company is also listening to employees' opinions and giving feedbacks in order to establish a stable and delightful working environment.

6. Does any team learning exist in your company? Please explain.

I think summing-up meeting should be a type of team learning. In the meeting, we share the outcome of each stage, identify and discuss the deficiency and propose the next-stage objectives.

7. Is there any system in your company to share learning and evaluate outcome? Please explain.

Sharing knowledge is quite often in the company, but not evaluation. The members of core team will summarize their work every month, and this could be periodic performance appraisal.

8. What measures which your company has adopted do you think is most effective to establish learning organization?

I feel the most effective measure is online training. We have a separate group on our online platform and invite customers to this training group to share and spread the professional knowledge; therefore, our employees are more confident for their own roles and customers feel our brand more trustworthy.

**Participant 6**

1. How long have you worked in this company?

I'm here for one year and half and in charge of regional sales and after-sale service.

2. Describe the culture of your company?

I don't know well about the company's culture, but I have faith in the brand and in myself to develop the sales in this region.

3. What is your understanding of what a learning organization means, especially in the context of China?

I think in a learning organization, employee can have suitable opportunity to learn and grow in the company.

4. Does the company create any opportunity for you to learn? Please provide details.

As I am in another city, not in the head office located in Guilin, so my training is basically through internet. I should thank to the new high-tech which allows me to learn at any time at any place.

5. Are you encouraged to make inquiry and dialogue within the company? Please explain.

Yes, sure. The opinions direct from employees are welcome in the company. As a sales person, I report customers' opinions, demands and expectation to the company.

6. Does any team learning exist in your company? Please explain.

The online training is our team learning activity. In our online group, we can speak out our opinions and point out problems to try to fix them together; so even the problem is not happening to every agent, people can learn something from the discussion and the solution proposed. This is a kind of joint growth from joint effort.

7. Is there any system in your company to share learning and evaluate outcome? Please explain.

After every training session, the company will send the training content to us as reminder and also send us the updated detailed requirements to us.

8. What measures which your company has adopted do you think is most effective to establish learning organization?

I think sharing is the most effective way to build learning organization. Sharing without reservation can help us be open-minded and easy to accept new things.

**Participant 7**

1. How long have you worked in this company?

Almost a year, I joined the company when the company starts to offer cuisine service of edible bird nest. My job is to manage the shop floor and sales.

2. Describe the culture of your company?

Let the customers enjoy our high-quality delicious bird nest.

3. What is your understanding of what a learning organization means, especially in the context of China?

I think every member in the company should keep learning for the company's development and the positive innovation can help us grow fast and also improve ourselves.

4. Does the company create any opportunity for you to learn? Please provide details.

Yes, a lot of opportunities. I never worked in food and beverage industry before, so everything to me is new and needs me to learn. When I first joined the company, I learned loads of professional knowledge about edible bird nest industry, for instance, how to distinguish the raw material quality, and how to cook the bird nest with the technology of sterilization and preservation. When we have our retail stores open, I keep learning how to make bird nest dessert. As the store also includes the bird nest processing and sterilization workshop, so we are able to understand the whole production process. I have to say it is not easy to make food delicious and beautiful and also guarantee the quality. I have to keep trying.

5. Are you encouraged to make inquiry and dialogue within the company? Please explain.

I can feel the care from the company, as we are encouraged to propose our ideas and timely report the customers' information. There are not so many staff on shop floor, but we try to learn from each other.

6. Does any team learning exist in your company? Please explain.

Yes, like we regularly have large-scale training program. Our job is to serve customers face to face, but we are also able to know the knowledge of other positions or roles. The training content provided by the company is comprehensive. But the company is young, there will be more challenges for us in the future.

7. Is there any system in your company to share learning and evaluate outcome? Please explain.

Training evaluation is just occasional. If we have doubts in working, we can consult the company at any time. We don't have evaluation system, but if the performance is not as expected, like customer complaining, it indicates that the outcome of training is not good enough, so the company will set up another altered training session for us.

8. What measures which your company has adopted do you think is most effective to establish learning organization?

Regular sum up the previous experience and timely adjust the strategies.

**Participant 8**

1. How long have you worked in this company?

I have worked in the company for more than a year; and my job is responsible for the research and development of new products, like new bird nest cuisine and how to retain freshness.

2. Describe the culture of your company?

The culture of the company is the brand culture. Our brand concept is as follows: being young is beautiful and cherishing ourselves is a life goal. Our products are produced and provided for the customers to help them stay young and healthy.

3. What is your understanding of what a learning organization means, especially in the context of China?

Both leaders and staff keep learning and innovating for the organization and try the best to achieve the common goals.

4. Does the company create any opportunity for you to learn? Please provide details.

Yes. For me, my learning opportunity is to learn the advanced production technology.

My job is to develop new products, but individual capability is limited; so the company hired Dr. Yang to provide the training session about micro-molecule preservation technology. This technology has improved our development of bird nest stew, a new cuisine method. With this technology, we can prolong the quality guarantee period of the product twice longer than before without adding any preservative or chlorphenesin. The micro-molecule preservation technology allows us to complete the production process in a sterile environment. This is very useful in my learning.

5. Are you encouraged to make inquiry and dialogue within the company? Please explain.

I don't need dialogue. I only need to focus on my research and development. Of course, I can't do it along, the results of the research and development need to be recognized by the team.

6. Does any team learning exist in your company? Please explain.

Generally speaking, we are a learning team. As we all first step into the bird nest industry, we need to learn the skills and experience. For instance, we often study the product and sales examples of other brands to learn their best and avoid their shortness; based on the research results, we shape our own products and make our brand unique.

7. Is there any system in your company to share learning and evaluate outcome? Please explain.

For my role, the sales volume is the evaluation. The product positioning in the market and the customers' preference of the product type are the indicators of our learning evaluation.

8. What measures which your company has adopted do you think is most effective to establish learning organization?

The best measure is to timely identify the problem and timely solve it, troubleshooting. For example, we have to prepare a lot before every activity, trying to cover every detail, and after that, we have meeting to summarize the whole process, identify and correct any error and accumulate experience for next activity.

# Personal Learning Statement

The research study is like a long-way journey. In order to arrive at the final destination, a number of difficulties need to be overcome and choices to be made.

The first challenge presented in front of the researcher was how to develop a specific research question which can make contribution to the body of knowledge and meanwhile allow the researcher to complete it within time frame. As the researcher is interested in the academic area of strategic management and talent development, this sphere has become the primary research direction. The concept of learning organization has then become the key research topic, as aiming at competitive advantage and developing organization members fit with the area which interests the researcher.

At the same time, the researcher started searching and reading relevant journals and books to identify the literature gap and knit a theoretical net for the research. Studying on literature was a time consuming task. The researcher has learnt and utilized Boolean searching technique to pinpoint the relevant authors and articles. With studying the researches undertaken by other scholars, the researcher was aware of the origins of key concepts, various models and theories, major arguments and current trends in this area. How to organize the miscellaneous information and make them useful for the research became another challenge on the journey. The researcher spent amount of time on this task and found out a clear link to connect the critical concepts, models and theories to present a theoretical background for the research.

With the knowledge of previous studies and research methods, the researcher felt qualitative research based on a single case study can produce profound findings, as the previous studies find scarcity of case study in this area and the research objective can be perfectly achieved through this research method. The following learning on research method has proved this point.

As for data collection methods, with careful comparison and research, the researcher decided to use the form of interview as the main way to acquire data. In order to ensure sufficient access, the researcher contacted four companies and finally selected the one with highest level of cooperation. The researcher has to admit that setting up meetings with the case company in order to conduct the interviews was not an easy task. Even though the directors and employees shown great interest in the research and indeed really cooperated with the interviews, the time difference between China and Ireland, the occasional internet problems, interviewees' fast-paced working life and etc. produced several setbacks and frustration. This primary data acquirement experience is precious for the researcher for future academic research and professional work.

Now the research is at the end, looking back on the journey, all the obstacles and pitfalls have become beautiful roadside scenery. The researcher has learnt so much on this journey, not only having a completed research, but also understanding how to prioritize tasks, manage time and handle pressure. This research experience will become a valuable treasure for the researcher's future life.