



EVALUATION OF MNCS LEARNING THROUGH THE LENS OF ‘LEARNING ORGANIZATION’ LITERATURE

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ABSTRACT

The concept of Learning Organization is emerging since past three decades in the field of International Human Resource Management especially after the seminal work of Peter Senge in year 1990. The idea of Learning Organization is to develop the reality of capabilities-based-competition which help the managers and other practitioners of organizations operating domestically and internationally to gain organizational competencies and knowledge to analyze their strengths and weaknesses; which in result also enhances organizational self-transformational capability. Thus, this transformational capability assists organizations to survive and sustain in turbulent time to achieve competitive advantage. This paper through secondary qualitative data discusses the role of learning organization and its implications in multinational organizations.

KEYWORDS: *Learning Organization, Organizational Learning, Competitive Advantage, Multinational, Knowledge Management*

1. INTRODUCTION

Presently, the economy worldwide has moved from industrial oriented economy to *knowledge-based-economy* where actual commodity found to be information and knowledge. In this regard, major contribution in ‘art of learning’ started in 1990s by Peter Senge. Since then organizations accepted the reality of *capabilities-based-competition* and then concept of the “Learning Organization” emerged as a new channel of organizational functioning. Learning organization has tendency to collect and store knowledge in organizational memory and more importantly to transform itself to changing business needs. It also assists organizations operating domestically and internationally to obtain required skills that cannot be easily copied and replicated (Harris, 2002; Barrette et al. 2007) and thus provides organizations a competitive edge to learn rapidly at higher pace and react quickly than its counterparts. Therefore, no doubt, organizations that learns, adapt and innovate quickly are capable to modify their practices in a better way to respond to the changing environment and consumers’ demands.

According to Lertpachin et al. (2013), ‘learning organizations’ are adaptive and responsive due to their commitment, openness and ability to deal with complexity, as competition, people mobility and technological advancement are exerting pressure on MNCs to use learning as competitive edge to gain economies of scale, expand business and remain innovative. To develop such an organization it requires vision, courage, learning culture, leadership, human resource and knowledge management through continuous learning process. In relation to learning and growth, as asserted by Jimenéz et al. (2014), the number of MNCs along with number of people employed in MNCs increasing worldwide and thus with this changing pace foreign direct investment outside the country of origin is expanding. Comparatively, MNCs are considered to have more opportunities to acquire and transfer knowledge, learn, adapt and get exposure and experiences in foreign market than domestic companies. In the same manner, the Foreign Direct Investment (FDI) by MNCs play vital role in economic and social elevation (i.e. Gross Domestic product (GDP), Employment ratio, Trade



inventories, Sales and so on). Hence, multinational organizations considered as important playground for learning due to diverse institutional context, cross-border knowledge transfer and knowledge sharing (Bonache, 2001). To put forward, (McDonnell, Gunnigle and Lavelle, 2010) stated that MNCs are diversified into different regions globally which considered as a key asset in terms of exploiting opportunities to transfer knowledge throughout the whole organization in order to remain innovative. Similarly, (Minbaeva and Michailova, 2004; Palmer, 2005) also stressed on the issue of learning in MNCs due to lack of empirical and conceptual research in the expat literature. Although many approaches to international learning are emerging but there is still literature deficit domain of practical knowledge.

2. LITERATURE REVIEW

2.1 Learning in Multinational Organization

The Book by Peter Senge (1990), *“The Fifth Discipline: The Art and Practice of Learning Organization”* was remarkable effort towards the idea of Learning in organization. It provided new practical dimensions *“magical formula”* to organizations that is centered to learning and enabled organizations to maintain balance between change and stability (Rebelo and Gomes, 2008). In the past, learning organization concept taken over from knowledge management as both concepts are inter-related and assisted researchers and practitioners for development of HR practices to gain superior organizational productivity, remain innovative, adapt and manage change for business growth (Newman and Newman, 2013). Similarly, many researchers and practitioners in the field of strategic management (Barney 1989; Porter 1980, 1985) ascertained that competitive advantage of the firm is dependent on alignments between distinctive (internal organizational) capabilities and constantly changing (external environment) circumstances. According to (Diez et al. 2005; Rebelo and Gomes, 2008) external environment influences internal factors of MNCs to base competitive advantage on internal resources which can be tangible and intangible i.e. prestige, intellectual property, talent, knowledge and learning capability. In relation to concept of learning, business strategies realized organizations that learn faster and adapt quickly may indeed achieve business success and competencies better than their competitors. However, most researcher and academician argued that the idea of learning concept found to be as inspiring yet difficult to implement because it involves different mind-set of people and complex culture of organizations and the societies. According to OECD (2010), in 1990s there

was a rapid acceleration of retail FDI primarily from European and US market into the emerging markets such as Asia, Latin America and central/eastern Europe. Later it resulted in expansion of overseas multinational companies i.e. (Wal-Mart, Marks & Spencer, Carrefour, IBM etc.) that transformed these companies into major regional and global business actors. Wal-Mart identified as the largest corporation measured by sales in year 2002, that exceeded the sales of General Motors and Exons which captured the international dimension of retail organization that there is a large market other than manufacturing and service sector to increase international market shares (Girod, 2003).

Moreover, (McDonnell, Gunnigle and Lavelle, 2010) suggested that in context of MNCs operating in multiple countries gain better advantages than single country firms in terms of scale and scope, nonetheless, these advantages are restrained due to high operational cost between managing global regions and headquarters. The literature focused that country of origin is a crucial factor that affect the organization's form, process and procedures on multi-level (Asakawa, 2005). Therefore, organization with self-transforming capabilities to learn from experiences and applying corrective measures to resolve the past mistakes have potential to learn and excels in future. Furthermore, such organizations are able to generate new business opportunities for their own individual entity especially in economic crisis and through environmental turbulences (Lertpachin et al. 2013). Hence, Tuan (2001) described that despite the HR have a key role in other practices of the economy, such as recession, in situation of tight labor market, employment laws that are embedded in national business systems of different countries where the MNCs operates, still to date MNCs are failed to analyze the critical role of HRM practices that play in sharing knowledge transfer and learning.

2.2 Learning Organization

Although, the concept of 'learning organization' developed by Chris Argyris's study in 1977, since then it became a contemporary exercise which captured the attention of practitioners after Senge's work in 1990. As compare to organizational learning, the concept of learning organization represents the organizations that excels in utilizing the processes efficiently with fit-to-purpose organizational structures aligned with business strategy, learning climate where organizational members learn and adapt constantly and embed technological network into its way of operation (Harris, 2002). Therefore, literature is not devoid of theories and framework, as its core idea was developed within organizational learning (Easterby-Smith et al., 2008)



and according to Kirwan (2013), learning organizations are those which are good in organization learning however this trend is found merely selective and limited to the grounds of practice and utility despite the importance of learning in MNCs. Basically, the concept of LO was evolved by many different viewpoints. Senge (1990) for example, defined learning organization that continuously expanding its capacity to create its future and generate the results which organization truly desire beside new patterns of thinking being nurtured and developed along with collective aspiration are allowed to improve and where all members continually learning in order to learn together. However, a slightly different perspective according to Pedler et al. (1989) in comparison of Senge's definition as Senge focused on 'expanding capacity' while Pedler suggest that learning organization foster learning of all its members and has 'transformational ability'. In addition, according to (Garvin (1993), to create learning organization culture, there must be process of acquiring knowledge and its transference along with adapting behavior to imitate new ideas and knowledge. On the other hand, Schein (1996) defined learning organization that emphasized on helping managers to analyze and evaluate their own organizational culture and build their own strengths. However, Watkins and Marscik's (1993) idea of learning organization encompasses on team- learning in order to constantly innovate and maintain growth and transformation. In reality, according to Pearn (1995), there is no exact definition of "Learning Organization" to meet all requirements as it is a contested term and to conclude according to Kirwan (2013), so forth whatever is the definition, the basic idea is the creation of knowledge and information through collective competencies and experiences of members of organization which can be used to achieve better performance and to gain competitive advantage. However, a precise definition of learning organization suggested by (Sun and Scott, 2003) emphasized that learning is a transformation process which takes organization to the desired state resulting in a changed behavior and better performance. Learning must be transferred from individual(s) to group(s) then to organization and inter-organization and vice versa. This depicts that if the result is no change in behavior then real transference of learning has not yet occurred. This definition offers three broad factors 'transformation', 'change behavior' and 'learning / knowledge transfer' which is seen as essential for organizations to learn and adapt especially in Multinational context. The definition supports the idea to create a supportive environment that comprised of various learning

dimensions aligned with global multi- channel learning transfer.

2.3 Dimensions of Learning Organization (Senge 1990)

The question is '*why there is a need of learning organization?*' The answer contained corrective measures to much efficiency driven organization that focused on system re- engineering and thus the learning organization became the new idea and buzzword in management, psychological and Human Resource development literature (Thomas, 1997). Similarly, Peter Senge's seminal works such as *The Fifth Discipline: The Art and Practice of the Learning Organization*, and *The Fifth Discipline Field book: Strategies and Tools for Building a Learning Organization* suggest five disciplines which serve as practical and long-term perception of both individual and organizational learning.

- **System Thinking:** A way of thinking to see the big picture to understand and analyse the forces and patterns instead of conceptualizing change as an isolated event. The disciplines of system thinking emphasize the need of learning in organization to see the change system more effectively, and a shift from being isolated to be interconnected to the whole and instead of considering external factors to create problems a sense of realization that our actions can create obstacles (Wang, 2006; Nakhchian et al. 2013).
- **Personal Mastery:** It involves two fundamental aspects, first it focuses that individuals create their own personal capacity to achieve the desired outcomes by constantly making clear what is significant to them for pursuing particular goal and route. Second is that individual must observe and understand the reality (Wang, 2006), However, Senge (1990b) emphasized that personal mastery should not be enforced to employees instead organization should create an environment that foster and encourages all employees to develop themselves towards their own desirable purpose and aims by developing sense of personal mastery.
- **Mental Models:** Kine & Sunders (1993) described mental models that involve each individual trying to reflect upon and continually clarifying, understanding and expanding his/her own internal picture of the world in order to see how they form their own personal decisions (Wang, 2006). Senge (1990a) further elaborated that these assumptions and models affect how individual comprehend and react to the world and thus block the organizational learning, therefore,



mental models should be uncovered and should create scenarios through which different imaginations and ideas are created for future. However, predicting future may not be accurate, nevertheless, it provides awareness of present state in relation to possible future desired state with the help of scenarios and organizations can further modify its goals to learn for their potential future.

- **Shared Vision:** Individuals build a sense of obligation and commitment within a workgroup and develop shared images of common and desirable future by seeking to create principles, procedures and guiding practices hoping to support and achieve these future aims.
- **Team Learning:** It involves transformational thinking skills that enable people as a group to reliably develop intelligence and skills. Senge (1990a) puts emphasis that individuals by keeping aside their individual assumptions and ideas can enter collective (Cross-functional, self-managed) group thinking process and that is greater than the sum of the individual members' talents.

In accordance with above discussion, now the question is 'then why predictions do not see any examples of learning organizations around?' According to (Seddon and O'Donovan, 2010) that prevailing system of management has adverse effect on people such as ranking system, reward for the top and punishment for the bottom, quotas, centralization etc. causing loss of known and unknown. Moreover, they argued that Senge work did not tell managers as how to tackle with 'deeper connection of layers' that is essential to become a learning organization in addition to the issues of power and control are not often addressed in literature about the learning organization.

2.4 Learning Organization Model (Garvin's 1993)

According to Garvin's (1993) model that described five building blocks/activities on which learning organizations are skilled. 1) Systematic Problem solving 2) Experimentation with new approaches 3) Learning from past experience 4) Learning from the best practices of others and 5) Transferring knowledge. The first activity relies solely on scientific method for solving problems using data to make decisions for inference rather than guess-work for diagnosing problems. The second activity describes experimentation and testing through which new knowledge is generated. It can be on-going programs (small experiments designed to gain incremental knowledge) and demonstration (large and complex projects). The third building block is learning from past mistakes and experience and suggest that organization

must acknowledge failures in a systematic manner. The fourth activity is learning from others insights and experience rather than self-analysis. The fifth and final building block is quickly and efficiently transferring knowledge such as training, orientation programs, frequent flyer assignment (short term expatriate training) and standardization programs.

2.5 Goh's (1998) Learning Organization Model

Goh's learning organization model is based on five building blocks that consist of 1) Shared vision and mission 2) leadership 3) experimentation 4) transfer of knowledge and 5) teamwork and cooperation including two other essential building blocks such as a) skills and competencies and b) organizational design. Mission and vision should be communicated with clarity to all employees of organization. If mission and vision are well understood then employees feel more confident and empowered to take initiatives that are aligned with organization's goals. The leadership emphasize on non-hierarchical organizational structure, nonetheless this concept was built for large competitive environment where calculated risks are encouraged within organization. The managers' role is critical and important for coaching, mentoring and controlling regardless of the position in hierarchical structure. The leaders' responsibilities are to provide feedback, assist and identify problems, take steps towards corrective measures, utilize opportunities and accept productive criticism for learning purpose. Within the block of experimentation, it is essential that organization encourage and support experimentation that use existing knowledge and create new knowledge on the basis of experimentation with new ideas for improvement. Teamwork and cooperation bring collective thinking, knowledge and ideas from different functional areas. Goh (1998) further stated that environment for cross functional team work also breaks downs the '*stove-pipe syndrome*' (organizations that restricts flow of information due to extreme top-down line of control).

2.6 Characteristics of Learning Organization

In addition to the approaches described by Senge's dimension of learning organization, according to Kirwan (2013), there are some common themes that contributed in developing learning organization' characteristics on strategic level. A sense of shared vision and clear goals enable organization to use opportunities of learning to face the critical challenges which result in better performance. Whereas, according to (Djonlagic 2013; Rebelo and Gomes 2008; Kirwan 2013) creation of flexible learning structure, retention



and transference of practical knowledge facilitate to adapt the change from external environment and the knowledge further be used within and across the organizational boundaries. Personal mastery will help in self-development of individuals comprises of training, vocational education with continuous experiential learning that embedded in MNCs business system. Similarly, the multinational environment / exposure can create a climate of empowerment, experimentation, change and innovation and helps teams to work as expatriate in subsidiaries and learn. Similarly, as asserted by Casico (2000), MNCs involved in extensive training and HRD functions at an individual, group and organizational level to assist employees to gain job-related competencies and it is expected that training will result in organizational development and supportive culture that foster continuous learning, nevertheless, according to Watkins and Marsick (1993), even though training is vital in learning organization but not the only distinguishable characteristic of learning organization (Ortenblad, 2001).

Cabrera et al., (2002) study further identified factors and characteristics of MNCs on basis of psychological theories to share and transfer knowledge within learning organization. Trust, feeling of obligation, encouragement of open access to knowledge and a strong sense of group identity found to have positive impact on knowledge sharing and its transference. Incentive, career development and promotion work as a catalyst in learning process. Similarly, Hitt (1995) study revealed that traditional organization possess characteristics such as management control; traditional top-down structure, departmental boundaries and organizational performance is only measured against financial returns. On contrary, learning organization are built learning on foundations of coaching / mentoring facilitators, consultation, flat structures, dynamic networks, cross-functional teams where mistakes are encouraged and tolerated as part of learning. To support this argument (Senge 1990, Huber 1991; and Davis and Daley 2008) notified the “*Taylorism approach*” and “*traditional approach*” that emphasized on organizational bureaucracy is no more effective in current business environment in coping with the demands of globalization, change and performance that are ever more crucial for business environment and changing economic climate. In addition, Jones (1997) opposed “*Taylorism approach*” and favored the concept of “*developing capacity*” and Mishra and Bhaskar (2010) also emphasized on “*empowerment*” to create learning organization in order to produce superior quality

products, improve business efficiencies and create more value for customers and shareholders.

2.7 Benefits of Learning Organization

As asserted by Appelbaum and Gallagher (2000), knowledge is related to competitive advantage but also broadly distributed. It is a powerful asset nonetheless not fully utilized and can disjoint particular organization and thus can be emerged in competitors as strength. Therefore, as argued by (Easterby-smith and Araujo 1999), organizations may not benefit from knowledge and learning & development of employees without supportive culture. Employees’ individual skills, competencies, information system, relationships with clients and suppliers add value and wealth to the organization however, the managers under quantify the worth of knowledge and confront with persistent problems (Seddon and O’Donovan, 2010). Furthermore, due to inability to adapt and adjust to the external environment, organizations lose their competitive edge in international market. Employees’ engagement through training and development also helps in retaining employees and in acquiring talent. Self-learning provides individual a free reign to learn faster than organization and to transfer back the information to organization that may supports the business plan and thus learning can lead to successful future projects. Communication enhances dialogues and through new ideas and innovation an organization can gain competitive advantage which supports Oyeniyi (2011) argument that sustainable competitive edge is only gained when organizations strive for unique characteristics that differentiate it from its counterparts and thus making use of learning and acquisition of knowledge are intangible assets that are difficult to replicate due to time and cost required to manage them efficiently. Therefore, real market value of an organization can be calculated through the process of learning and its capacity to transfer knowledge (Cheng et al. 2010).

2.8 Barriers in Learning in Organization and Knowledge-Transfer

Eventually, keeping in view the amount of spending on training and development function, many barriers limit or impede the learning transfer at workplace mainly including people, culture and technological barriers. The significant reasons found to be 1) Power distance and difference in communication structures are not modified according to new business system to support the new ideology (Steiner 1998; Hodgkinson 2000). 2) Vision regarding organization’s future is inconsistent between management and employees. The difference means that there is lack of meaningful dialogue and sharing of knowledge and



thoughts between management and employees (McLaughlin et al. 2008). 3) Management style and structure does not fit to the new ideology of learning in organization. For example, centralization considered as less fertile approach (Minbaeva and Michailova 2004) due to which motivation among employees is declined to transfer learning (Steiner 1998). Furthermore, 4) Power of knowledge Syndrome refers to a mind-set that value of knowledge is perceived by individual ahead of its value to the organization which prevents individuals to share knowledge as knowledge and learning is seen as a part of their own personal competitive advantage. Therefore, if the culture where group and team performance is rated above individual, the expected behavior results in learning by both employees (McLaughlin et al. 2008). 5) Interpersonal relationship impact on Knowledge depicts that relationship between employees affect the contribution to knowledge transfer failures i.e. attributes and characteristics of knowledge transferred such as lack of recipients' capability to absorb and transfer knowledge (Steiner 2008; McLaughlin et al. 2008). 6) The impact of Organizational Structure in sharing knowledge identified by Gupta & Govindarajan (2000) stressed that one who has knowledge are not interested to share knowledge without reciprocity which suggest that efficiency of knowledge transfer is voluntary and relies on willingness of an individual to identify and share the knowledge they possess and use it when it is required.

Moreover, According to Berkema *et al.* (1996) as firms are being globalized and have access to foreign markets, yet foreign entry is impossible without cost. Therefore, when organizations diversify operation globally, they have to adapt and adjust according to foreign national culture to minimize the associated risk of business failure. Nevertheless, Shenkar (2008) further stated that MNCs still failed to recognize those cultural barriers to increase efficiencies obstacle of 'psychic distance'. It refers sum of all the factors that contribute in preventing of transferring knowledge and learning between organization and market, especially cross cultural communication in MNCs. Simonin, (1999) asserted that it deals with all forms of internal and external, direct and indirect communication between home country and subsidiaries such as cultural negotiation, customer and supplier management, training purposes and knowledge sharing and transfer within MNCs.

Cost Management of Knowledge Transfer deals with cost of managing collaboration via relations that are substantial due to resource required to maintain the relationship and acquiring knowledge through the employee's relations (McLaughlin et al, 2008). It is

also asserted by Bae and Koo (2008) that information loss, cost of learning transfer and relationship management ties a weak bonding and cease the economic constraints of knowledge and learning. Further argued by McLaughlin *et al.* (2008), the sharing of propriety knowledge/information with collaborative partners may risks the organization with information disclosure whilst it is notified by Tung (1981) that on average 40 percent businesses aborted due to several issues such as managers' lack of interest to emotional and personal maturity, greater amount of responsibility in overseas operations which also incur direct and indirect cost, thus leads to less experiential knowledge limiting the MNCs to enhance learning capability due to loss knowledge (Minbaeva and Michailova, 2004).

2.9 Effective Strategies to Transform Multinational Company into Learning Organization

The role of MNCs as a source of knowledge transfer between parent-country and subsidiaries play a critical role for sustainable competitive advantage globally and it helps organization to achieve long-term existence strategically in times of environmental turbulence (Dobrai et al. 2012). Furthermore, as suggested by (Minbaeva and Michailova 2004), expatriates work considered as vehicle and knowledge transfer agents for exploitation of knowledge across retail MNC's units that emerged as a new area of research in international human resource management literature. The model developed by Marquardt and Reynolds (1994), identified three levels of knowledge transfer 1) Individual 2) group level 3) Organization level and, 4) Global level. The learning from individual is transferred to group where new approach of system thinking and team learning takes place. Then these learning and knowledge is stored in organizational memory in the form of learning from experience. In addition to learning process of MNCs (McDonnell, Gunnigle and Lavelle 2009) highlighted the critical factors to transfer knowledge are location, distance between units, political issues, diversity and organizational culture along with communication process, language skills and leadership skills in relation to extreme global competition. Therefore, the following cost-effective strategies in time of recession can help retail MNCs to utilize their existing resources whilst keeping a pace towards innovation and competition.

- **Global Training and Its Transfer**

As suggested by (Minbaeva and Michailova, 2004) stated that retail MNCs began to understand the importance of global training in the form of international assignments. However, it should be based on employee competence and capability regardless of



any discrimination and biasness. In addition, pre-assignment training that include language ability, cultural awareness, literacy and technical capability is considered the new ways to expatriates' international learning and development. In the same regard, Harris et al. (2002) argued that international assignments are costly and critical for skill transfer and managerial control and consider short-term assignments as learning-driven assignments for MNCs. According to Dixon (1993), firstly, Management Development Programs considered as pillar for learning in organization focused on re-organization of an individual that means effective communication, adequate amount of time and learning from on the job roles can be an efficient way of learning. Secondly, sender's willingness and ability to share and transfer knowledge and experience also depends on individual characteristics; particularly, organization should focus on selection criteria through which managerial competencies, positive attitude, adaptability, maturity and loyalty of candidate can be assessed prior to final recruitment. Furthermore, human motivation to learning found to be directly associated and motivation from managers and organizational culture have contribution in transference of knowledge in addition to Pearn (1995) further emphasized on HRM function that can play a vital role in supporting, identification and achievement of learning needs. Pearn (1995) further argued relying much on training fail to achieve the desired organizational goals which can be additional cost for MNCs in terms of inefficient assessment of training needs. Therefore, different training methods such as E-learning and action-learning are considered as cost-effective training methods for mandatory training (CIPD, 2009) and shift to-in house training such as coaching, mentoring, on-the-job training, off the job training and other interorganizational training will help to build learning capability and its transference which can be utilized especially in difficult time of economic downturn (Dessler, 2010).

- **Transnational and International HR practices**

As argued by Vo and Hannif (2012) and Pablos (2006), due to comparative institutionalization theory and global pressure, it is important for MNCs to maintain balance in legacy and be responsive to environmental changes for all host environment, as subsidiaries possess their own capabilities and therefore MNCs have to adopt local practices in their host countries. According to (Morgan, 2007) standardization and ethnocentric approach is no more applicable in global business especially due to cultural, labor laws and institutional differences and extreme global

competition which is evident in failure of Wal-Mart Germany, Hence, (Tuan 2011) suggested, to sustain in global competitive market, retail *MNCs have to develop integrated global-local business system (based on geocentric approach) and HRM practices i.e. flexible HRM policies, procedures, training for global expatriates and local employees, cultural audit, HRD programs, performance management, network structures and cross-cultural adaptation* in order to coordinate and control HR capability and trigger the learning process across multinational organization. Similarly, according to Bass (2000) *transformational and participative leadership* increase concerns of group achievement over individual goal achievement, creating participative leadership environment and descends transactional leadership style. International Human Resource strategies helps MNCs to be successful due to locally responsive, flexible and adaptive organizational structure and design with minimum time to response and being capable of transference of knowledge globally. Therefore, it is highly required for MNCs to align their multiple units to balance and adapt local customs embedded in national business systems of various units.

- **Knowledge Governance Mechanism**

The role of MNCs is crucial to employ knowledge governance mechanism (knowledge integration) due to unfavorable attitude of expatriate and local managers towards transference and knowledge. This attitude account for enhancing knowledge for personal development rather than team and organizational benefits which reduce the learning process (McLaughlin *et al.* 2008). To overcome this dilemma, (Hitt et al., 2007) suggested that incentives such as promotion, financial rewards, and job enlargement opportunities should be provided. Control mechanism can include documentation and reporting requirements which trigger the process of learning and can be used for knowledge retention and exploitation on multi-domestic level to sustain global competition in time of recession. In relation to control mechanism in learning process Takeda and Helms (2010) emphasized that control system may reduce the ambiguous relationship between control and learning as MNCs promote learning throughout the organization by adapting local culture of subsidiary while standardizing the corporate culture across the whole organization which termed as Hybridization (Yahiaoui, 2014). Moreover, the organizational decision to internationalize their operations increased in last three decades and such expansion became possible due to international movement of labor. Transferability of capabilities and resources are the recognizable and



important determinants of organizations within which competitive advantage of the firm lies. However, with regard to knowledge sharing, its transferability is critical not only between the firms but also within the firm which stressed out on issues as who individuals, which units, which knowledge to be transferred with what purpose, needs and use in addition who people receiving and sending the knowledge implies that not all people in the organization are involved in knowledge and learning transfer process (Minbaeva et al., 2003; Palmer 2005). Therefore, learning transfer is a complex process to be governed till its final application.

• **Post Project Evaluation**

Managers are confronted with paradox when in one-way efforts are being put towards complex projects and on the other hand the reflections of project encounter with failures and raise risks associated with cost, time and resources utilized (Nelson 2005). Therefore, as mentioned by Gullivar (1989) describing British Petroleum implementation towards “Post-Project Evaluation” analyzed completed projects carried out in BP to learn from mistakes and explained failure as “ultimate teacher” and identified remedies to overcome those mistakes in future leading to increased organizational performance efficiently (Harris, 2002). Moreover, according to Garvin (1993) who described the Boeing strategy to implement new policies after experiencing obstacles while introduction of 737 and 747. Competent and high-level project team was responsible to develop a set of “Learnt lessons” by comparing previous projects launched with new projects to compare and analyze the mistakes. However, regardless of its benefits; most of the MNCs including retail, manufacturing and IT industry as stated by Todorović et al. 2015 (for example Wal-Mart Germany, Daimler Chrysler, and SAS) rarely conduct post-evaluation of project due to time, and organizational/individual ability to draft reports and lack of forms and procedure. In this regard, as asserted by (Kang, 2007) knowledge management and learning in project environment is crucial and without storing and summarizing the knowledge in organizational memory, an organization can backslide to achieve project succession in future.

• **Learning Audit**

The learning audit refers to the analysis of current state of learning in organization to identify the need of change and adaptability. The learning audit consists of checklist survey instrument (Learning Climate Questionnaires, LCQ) in the form of focus group discussion and individual interview for identification of inhibitors and enhancer of learning process on

individual and organizational basis. Results can be analyzed and further practical steps can be taken to improve learning and its transference (Pearn 1995). Change management is the second step to build awareness by communication and trainings. Training and development are integral part of learning which can be audited through performance management system (Dessler, 2010). In order to manage supply and demand of knowledge, a proper system should be maintained to control and disperse the flow of information within and outside the organizational boundary. It can help company to store the information even if an employee leaves the company. *3M manufacturing company* specialized in innovative products and produced quality products and management team realized that more could be achieved through *human asset* and factory could be enthused to become ‘*masters of their own jobs*’. Departmental managers, supervisors and operators were involved to take part in learning audit through questionnaires and focus group. The internal audit revealed blocked areas for learning and diagnosed as lack of support and motivation for learning, lack of time, resistance to change and adapt, lack of commitment from management, lack of resources and a poor culture are barriers in learning transfer. After the data collected the management team developed an action plan which approved by whole site and implemented (Pearn 1995).

• **Pro-active Change Management**

In order to be innovative and responsive to changing external environment and gain competitive edge organizations have to transform traditional management structure to learning organization. Therefore, (Sackmann et al. 2009; Bass, 2000) suggest that “transformational change” which means strategic change, cultural change, double loop learning and importance of feedback mechanism to learn from past mistakes and further adopting corrective approach to remove those obstacles is the core idea of learning. However, such changes can become reality if substantial alterations are made to organizations’ business strategy which is supported by internal structure and other related business processes. Nevertheless, according to (Porth et al. 1999) such effective change management require effective leadership and team work throughout the whole organization. Therefore, Senge (1990)’s concept of mental models provides fundamental ground for change process. Mental models provide cognitive approach which help in making sense to ensure they are effectively used by managers and employees to enhance communication by exchanging dialogues and further extending communication into productive



actions. Not surprisingly, that change process involves certain risks which can be accepted if employees trust' organizational decisions play central role to initiate change process.

- **Effective Knowledge Management System**

It is revealed that managers' role found to be crucial yet critical in knowledge sharing and learning transfer whilst it was also found one of the main barriers for effective knowledge management in MNCs. Therefore, managers can adopt three roles to enhance learning in organization 1) as an effective leader 2) facilitator for learning 3) an individual learner. Moreover, according to CIPD (2007), the cost pertaining to develop a managerial skill is expensive whilst time consuming. Approach to enhance *leadership* by *Unilever* seen involvement in last twenty years which integrated strategy called *LGP (Leadership Growth Profile)* with other organizational key departments such as marketing, HR, supply chain and customer development to enhance leadership competency as an essential element to gain competitive advantage. A *leader into Action in Unilever* was a successful program developed to target the behaviors of managers and leaders aligned with competency model. Managers' role was collaborative, open, trusting, courageous and excellent in coaching and mentoring that help Unilever to enhance process of learning, collaboration and to achieve maximum efficiency through business operations overseas.

3.0 TESCO LEARNING FROM EXPERIENCE

The Tesco management learnt lessons from its international retail experience due to lack of leadership and transference of knowledge mechanism. In contrary to literature (Garvin 1993, Lertpachin *et al.* 2013) that learning is not necessarily depends on problems or obstacles organization faced, the firm also can learn from its strengths and weaknesses in international retailing as it can be seen that opening hypermarket (small stores) worked well for International operations after negative experience Tesco Hungary. These mistakes helped Tesco in Ireland's international market to strike a balance of global-local business strategy (Yahiaoui 2014) between headquarters and subsidiaries to learn whether business would be successful or fail. It supports (Garvin 1993; Goh 1998) model of learning organization that focused on learning by past experiences provide guidance to avoid those errors in future. Moreover, when management was requested in Tesco to communicate the internalization experience to exploit knowledge and learning outcomes back to UK,

critically, the Tesco did not have any proper planned and structured and formal policy in place for transference of knowledge and learning on global basis. Therefore, the literature (Tolbert *et al.* 2002; Tuan 2011) supports that due to which Tesco acquiring Cateau in France did not served as a platform for learning to inspire experimentation abroad highlights that learning was generative but mechanism for knowledge flow was lacking. Therefore, the findings suggest that implementation of proper knowledge management system along with governance mechanism may help MNCs to further learn and apply corrective measures to solve problems. Nevertheless, the company's next phase has seen successful international business operation by diffusion of learning experience and it supports literature regarding self-transformable capabilities (Lertpachin *et al.* 2013, Garvin 1993) Since then, company began to employ professionals that working as knowledge agents solely for transference of hypermarket learning experiences back to UK from Europe business operations, that serves the purpose of learning dimensions (Sun and Scott 2003) that indeed, the organizations adopting self-transformational and managing change effectively (Teece 1998; Rebelo and Gomes 2008) may have better ability to absorb knowledge and learn. Findings further highlighted that competitive market with counterparts such as (Auchan, Ahold, and Carrefour) proved to provide valuable lessons which favors literature that organizations learn from their external environment in the process of internationalization as Tesco learned merchandising skills to compete in global market which favors (Davis and Daley 2008; Garvin 1993) learning approach from best practices of other organizations. The study outcomes support literature (Pearn 1995, Huber 1991) and suggests that expansion discloses competitive situations, trials and errors and generate new knowledge to existing knowledge that may lead to innovations by action learning approach (learn by doing). Garvin (1993) model for learning from best practices of others is reflected in Tesco case as due to under investment on employees' skills in domestic market was a threat in international operations as Tesco lacked international experience and local knowledge as compared to Carrefour (McLaughlin *et al.* 2008). It also suggests that collaborative approach for team learning, expanding capacity and approach considering training as an investment rather than expense may help organization to achieve competitive advantage through team learning idea proposed by Senge (1990) and Pedler *et al.* (1992).



4.0.DESIGN/METHODOLOGY/ APPROACH

The research data analyzed is secondary qualitative data assessed and analyzed through evidences which is derived from review of literature.

5.0 DISCUSSION AND ANALYSIS

After analyzing the learning organizational literature, it can be inferred that learning organization concept gaining popularity in recent years not only for researchers but also for managers and leaders in organization. Organizations are relying on human capability to achieve related business sustainability and objectives. The literature and empirical studies (Sun and Scott 2003; Jashpara 2004) support the concept of multichannel communication significantly as transfer of knowledge is multilevel i.e. parent-host-parent, subsidiary-parent-subsidiary and to sister-subsidiaries in MNCs to foster communication to be inter and intra-organizational levels. However, among the barriers of learning organization, perhaps the most noteworthy reason is people barriers, (Steiner 2008; McLaughlin *et al.* 2008) such as willingness and attitude of managers to share knowledge and motivate subordinates. Therefore, to give priority to personal advantage over organizational benefits can help to create friendly and supportive environment and climate for learning where employees' persona goals are aligned with organizational goals. Moreover, resistance to change and be responsive may also become a challenge for MNCs due to traditional hierarchical system and risks involved in experimentation of new ideas in order to be innovative as a result restrain the process of learning within organization. From study of learning organization in MNCs found to be challenging as findings revealed that sustainability and competitive advantage of an organization lie in culture and organizational structure that put emphasize on innovation, empowerment, participative leadership where employees are encouraged to experiment and learn from mistakes (Goh 1998). An important discovery can be made from analysis that the real positive change in organization may occur when employees concentrate in working as a team and focus on organizational productivity than individual achievement along with organizational cooperation to develop and enhance employees' ability, capability and competencies (McLaughlin 2008). Furthermore, positive employee-employer reciprocal and mutual relationships enhance trust and commitment within the organization to manage information flow (Michailova and Nielsen 2006). To attain learning organization objectives, a proper inter and intra-organizational

knowledge transfer mechanism and strategy to govern and control the knowledge flow from one unit to another can yield desired results. The knowledge is considered as power and sharing knowledge among individual and groups mean giving away the power to others that can utilize that knowledge and gain control (Newman and Newman 2015). The employee attitude, organizational culture and environment and management role may have positive and negative impact in learning process, depending upon management attention towards overcoming those barriers by implementing of learning strategy and knowledge management systems that knowledge is interchangeable (Takeda and Helms, 2010). It may also cater the needs of global business across borders to gain competitive advantage by utilizing human asset/capability and existing resources with technological enhancement prevailing in 21st century and upcoming years. Further evidence revealed that it is assumed in MNCs that knowledge transfer is vertical and that subsidiaries learn from parent, which is in contrary to literature as learning defined by (Sun and Scott, 2003) learning is transferred from intra to inter-organization and vice versa and learning is not one dimensional. This supports that parent country may also learn from subsidiaries through the process of adaptation and localization which underpin the vital role of subsidiary in process of knowledge transfer. The study found interesting fact that most important platform for knowledge transfer mechanism is training and development at the local subsidiaries, which supports (Weldy, 2009; Moumita and Zaman, 2012) view whilst (Ortenblad, 2001) suggests training is not the only distinct characteristic of learning organization. Therefore, it can be inferred MNCs heavily relying on training only to enhance learning in organization may not achieve the desired outcomes if associated environment, organizational structures, policies and transference of knowledge mechanism are not aligned with individual and organizational learning and development. The study also asserted the HR role to communicate experiential learning from subsidiaries is not properly communicated to other people in organization which limit the capacity of learning from expatriates. Therefore, findings also suggest that employees' negative behavior and attitude may also become barrier to knowledge transfer other than structures and strategies (Rennie and McGee 2012). In this regards, managers' role is crucial to provide, guidance, motivation and empowerment to employees to experiment new ideas to generate new knowledge that may lead to innovation. To gain competitive advantage in international organizations, HQs have



critical role to play to motivate expatriates by providing incentives, reward and career progression to transfer knowledge along with international HRM policies in place to govern and control the mechanism of knowledge transfer throughout the global organization as suggested by Hitt *et al.*, (2007) Moreover, it can also be said those necessary skills i.e. technological, customer service, language and supply chain skills may be crucial as retail MNCs rely on supply chain function which considered to be complex and distributed. The data also confirmed from literature (Minbaeva and Michailova 2004) that expatriates' role is also contributing in knowledge transfer and learning because by moving to different subsidiary they may get opportunity to deepen their knowledge, enhance job-related competencies and learn from experiential learning by involving into different complex projects. The review of literature also highlights important findings regarding positive employee-employer reciprocal and mutual relationships which may enhance trust and commitment within the organization to manage information flow as suggested by (Tolbert *et al.* 2002). In addition, an organization that is centered to learning that has transformational capability to learn continuously and change behaviors may achieve competitive edge better than counter parts. Therefore, the first step in the process of transformation into learning organization is to build awareness of change which may stimulate the readiness to change, adapt and learn.

5.0 CONCLUSION

The study suggests that LO has positive impact not only on organization but found to be more rewarding and challenging for employees as well. Engaging in knowledge sharing and its management can be challenging and involve risk if change within organization is not properly managed. It is also argued that individual and organizational learning and development is a complex process, however, in case of MNC it can further be complicated due to geographical dispersion, implementation of Global-local business strategy, movement of human capital, advanced technologies, increased number of suppliers, deep distribution network, intense competition, cultural differences and management attitude towards exploiting learning throughout all global units. Moreover, the study provides practical significance for MNCs to better manage the 'synergies' to achieve competitive advantage. The analysis also depicts that MNCs may become dispensable if learning is not coherently aligned with business strategy, organizational mission and vision and merely seen as

providing benefits to individuals. Therefore, it is more painful situation for organization to invest in learning while there is no proper and effective knowledge management system and environment that foster empowerment, productive communication, and strong employee-employer relationship to exploit learning opportunities and knowledge flow among subsidiaries. Similarly, transformational leadership has a key role in LO and in case of change management as leaders are change agents to minimize and reduce the resistance to learning transfer. Experiential learning and leadership found to be significantly positive predictors of learning in MNCs and it can be said that to accumulate knowledge within multinational organization, it is important for MNCs to take advantage of unexpected events (threats and opportunities) and learn from them. However, the analysis and discussion depict that process of learning in MNCs may not be always progressive. Therefore, the literature revealed common contribution that, to be a learning organization highly depend on 1) leadership that possess behavioral competencies to facilitate learning and 2) manage change positively especially where experiencing new learning is a part of individual and organizational development and finally, 3) best practices adopted by organization to transform into a learning organization such as re-organizing and re-engineering, empowerment and open communication that may lead to innovation.

Limitations of the study

The study analysed and discussed the key findings and results by using relevant literature and models of learning organization and its knowledge transfer within context of MNC. However, the findings may limit the scope of study as it focuses on multinational companies and result may not be generalized to all business sectors i.e. domestic small/medium businesses. Moreover, the concept of learning organization found to be complex as empirical research is underdeveloped in context of multinational industry. Since only learning organization within multinational industry was focused, other areas could not be explored such as role of acquisition, mergers, and other industry (manufacturing, service and technology sector) wide knowledge within LO concept.

Further Study

The study found that LO concept is emerging and MNCs are taking initiatives to apply new approaches to LO paradigm to gain competitive advantage, nevertheless future studies may evaluate the results of these initiatives and MNCs can compare the



results to further investigate the practices they have in place. In addition, the challenges and barriers identified in study may defer from organization to organization and further research in domain of MNC can specifically be investigated to overcome those obstacles.

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