

Organisational learning in the share capital—entrepreneurship—business performance equation: a case study of start-ups in Jiangsu and Guangdong

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From *Guanli Shijie* (Management World), Vol.10, 2006, pp 90-111

Abstract:

I. Theory

Two main methods exist in organisational learning: “exploration” and “exploitation”. They are very different from one another, rely on their own unique strategies, and do not affect business performance in the same way. Exploration learning improves performance through the creation of new products, which requires heavy short-term investment and has little impact on the company’s financial results during that period. Exploitation learning mainly consists of perfecting already existent products, which quickly and significantly improves business performance.

While a growing number of studies reveal the importance of social networks in organisational learning (Hansen, 1999; Uzzi, 1996), opinions still vary widely as to whether strong ties or weak ties are the most beneficial. In our opinion their effects differ – weak ties promote exploration learning, while strong ties promote exploitation learning.

Researchers are also considering the role played by entrepreneurship (Dess et al., 2003; Zahra et al., 1999). Businesses often face the problem of choosing an over-ambitious entrepreneurial approach and exceeding capacity, or an under-ambitious approach and remaining at their current capacity. Over-ambition prevents the emergence of organisational learning, while a lack of ambition hinders its development. How can a business achieve balance? By promoting exploration learning in the first case, and exploitation learning in the second.

II. Case study

This study is based on a survey of 1,250 businesses created less than eight years ago (with 250 start-up businesses per city), chosen randomly from the Yellow Pages in high technology development areas. After obtaining permission from management over the phone, surveyors visited the company premises and asked either the general manager or another manager to fill out the questionnaire (thus ensuring knowledgeable answers). In total, 696 people participated and 676 answers were validated (244 in Zhangjiagang, 87 in Wuxi, 89 in Nanking, 128 in Canton and 128 in Dongguan). There was a 54.1% return rate.

III. Conclusion

Studies show that through the intermediary of organisational learning, share capital and

entrepreneurship can have a veritable impact on business performance.

1. Both share capital and entrepreneurship can have a direct, positive effect on performance.
2. These factors can also affect organisational learning.
3. There are two types of organisational learning – exploration and exploitation learning. The former has a positive effect on the latter.
4. Exploration learning has a direct effect on new product performance, while exploitation learning has a direct and positive effect on overall financial performance. New product performance has a direct and positive effect on overall performance.

Therefore, to ensure their continued development, start-up businesses must gradually promote an incentive-based entrepreneurial approach, and adopt new foreign technology to update tools and create their own critical techniques.

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