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Organizational Learning and Marketing Capability Development: A Study of the Charity Retailing Operations of British Social Enterprise

Gordon Liu[1] and Wai-Wai Ko[2]

Abstract

Social enterprise is a hybrid form of profit- and social benefit–seeking organization whereby traditional nonprofit organizations pursue both their social mission and business opportunities. To embrace this new strategic direction shift, the nonprofit organizations need to develop new competences that will enable them to respond to the changes in the business model. The article investigates the learning mechanisms through which social enterprises develop a marketing capability to deploy their resources in the marketplace as the drivers of competitive advantage in their commercial practice. We study eight cases of U.K.-based charity retailers to address the role of knowledge accumulation, articulation, and codification process in the evolution of marketing capability development. We identify, among other things, that the critical process of organizational learning for social enterprise is to transfer the experience into organization-specific knowledge under the social aspects of constraints.

Keywords

organizational learning, marketing capability, social enterprise, nonprofit organization, marketization, charity retailing

[1]Bournemouth University, Poole, UK
[2]Royal Holloway, University of London, Egham, UK

Corresponding Author:
Gordon Liu, Senior Lecturer in Entrepreneurship, Bournemouth University, The Business School, Christchurch House, Talbot Campus, Fern Barrow, Poole, Dorset, BH12 5BB, United Kingdom
Email: gliu@Bournemouth.ac.uk

Introduction

The adoption of a more market-oriented operation model to acquire revenue from commercial activities, known as *commercialization*, enables nonprofit organizations (NPOs) to deploy market-based resources and achieve a competitive advantage (Gainer & Padanyi, 2005; Macedo & Pinho, 2006). This more market-driven and business-like hybrid form of NPO is usually referred to as a social enterprise (SE; Cooney, 2006; Dart, 2004). An SE is "a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community" (Cabinet Office, 2006, p. 10). SEs generate revenue by engaging in trading activities, including charging fees for services and selling products, which are vital for their survival and also reduce their dependence on donors and government funds (Cooney, 2010; Froelich, 1999). The latest research conducted by the National Council for Voluntary Organization (2009) in the United Kingdom found that SE activity accounts for 71% of the total income of this sector.

In practice, there are many routes by which to establish an SE, such as an independent charitable foundation springing from a corporation ("Salesforce.com" and "Salesforce.com Foundation"), a community interest company ("Co-operatives"), new enterprise startups ("Sunderland Home Care Association"), and so on. In this research, we aim to focus on the route by which traditional nonprofit organizations (i.e., voluntary and community organizations, charities) develop their marketing capabilities and become more market-oriented entities. We specifically consider charity retailing operations, where traditional NPOs engage in commercial activities through the operation of high-street charity shops, which remains one of the most popular choices for revenue generation. For example, the Charity Retail Association[1] estimates that there were more than 7,500 charity shops in the United Kingdom in 2009, compared with an estimated 3,200 in 1990 and 6,300 in 2000 (Charity Retail Association, 2010). In the United States, several large nonprofit ventures also embrace charity retailing options. For example, the Social Service Corporation, a U.S. NPO operating a string of business enterprise, generates 72% of the organization's total revenue through its retail operation (Cooney, 2006), the Goodwill Industries International collects donated clothing and household goods to sell in 1,900 retail stores and provides contract labor services to business organizations and government agencies, and the seven Salvation Army thrift stores gross US$8 million annually in Dallas-Ft. Worth, Texas (Reyes & Meade, 2006).

The original operating model for charity retailing emphasizes collecting surplus goods from upper-class homes and directing their disposal through retail outlets to "less well-off" or "submerged" households (Booth, 1890). As the charity retail sector has developed, this original model has evolved into a more complex business practice, which requires charity retailers to adopt a more market-oriented approach to respond to the changing market environment. These changes have attracted the attention of the academic community (see Broadbridge & Parsons, 2003a, 2003b; Gregson, Crewe, & Brooks, 2002; Hibbert, Horne, & Tagg, 2005; Horne, 1998). Although a vast amount of work on charity retailing has been produced, little is known about the organizational learning practices that guide the commercialization movement. To deploy resources in ways that are appropriate to charity retailing, the charity retailer needs to develop marketing capabilities through organizational learning. This article aims to investigate how charity retailers take deliberate efforts to engage in building organizations' marketing capabilities through learning. More specifically, we focus on identifying the key building blocks that formulate charity retailers' learning process and how these might relate to the development of marketing capabilities. This article contributes to the understanding of organizational learning for SEs and documents how they can develop their marketing capabilities through learning activities.

Marketing Capabilities and Organizational Learning

From the resource-based perspective, the deployment of specific organizational resources requires an organization to develop the corresponding capabilities, such as "the ability to integrate, build, and reconfigure internal and external competences" in ways that match the changing market environment (Teece, Pisano, & Shuen, 1997, p. 516). Commercialization, which is the process of becoming an SE, enables an NPO to deploy its market-based resources and attain a competitive advantage (Gainer & Padanyi, 2005; Shoham, Ruvio, Vigoda-Gadot, & Schwabsky, 2006). To capitalize on this effort, as Morgan, Vorhies, and Mason (2009) suggested, organizations need to develop marketing capabilities to orchestrate the execution procedures. Marketing capabilities are defined as "integrative process to apply the collective knowledge, skills, and resources of the organization to the market-related needs of the business, enable the business to add value to its goods and services and meet competitive demands" (Vorhies, Harker, & Rao, 1999, p. 1175). More specifically, marketing capabilities are considered to be internal processes that allow organizations to become more market-driven. This implies that it is critical for SEs to develop marketing capabilities, if they wish to adopt a more market-oriented approach to conducting their commercial practice. To date, the types of marketing capability fall into eight interdependent dimensions: pricing, product development, channel management, selling, market information management, marketing communication, marketing planning, and marketing implementation (Eng & Spickett-Jones, 2009; Vorhies & Morgan, 2005). It is noteworthy that each of the eight types of marketing capability in itself can serve as a basis for providing a company with a competitive edge in the marketplace. Given the interdependency between individual marketing capabilities, an organization will achieve superior performance when it possesses multiple marketing capabilities (Vorhies & Morgan, 2005).

The development of marketing capabilities, as with any other organizational capability, can be achieved through the exercise of organizational learning (Easterby-Smith & Prieto, 2008), which has long been associated with an organization's competitive advantage in the marketplace (Day, 1994a; Williams, 1992). Eisenhardt and Martin (2000) describe how learning is a dynamic process where resources are integrated and reconfigured, which combines experimentation and a repetition process intended continuously to improve organizational performance. De Geus (1998) suggests that the only way in which an organization can maintain its competitive advantage is to learn faster than its competitors. To develop its marketing capabilities, its employees must repeatedly apply their knowledge and skills to marketing problems (Vorhies et al., 1999) and then develop these repeated efforts into useful "operating routines" that deploy market-based resources advantageously. Unlike the lump sum of individual learning, organizational learning involves creating, distributing, and communicating knowledge among the organization's members and integrating it into the overall business strategy and management practices (Kim, 1998; Sinkula, 1994). Although individual learning provides the foundation for the organization's knowledge base, the knowledge is only useful when it is translated into certain organizational capabilities that assist the deployment of particular resources. Learning activities allow organizations to develop marketing capabilities, which enables them to anticipate and respond to market changes (Day, 1994a).

According to the prior research on capability development, the learning mechanisms can be divided into three phases: accumulation, articulation, and codification (Kale & Singh, 2007). Zollo and Winter (2002) suggest that deliberate efforts to accumulate, articulate, and codify relevant experience of carrying out complex organizational tasks act as a basis for improving the organization's expertise in managing those tasks. Accumulation involves acquiring the expertise and skills related to executing critical tasks. In the context of marketing capabilities development, the accumulation process involves obtaining relevant experience on specific organizational routines for managing market-based resources and solving marketing-related problems with the intention of developing new marketing knowledge or insights (Hurley & Hult, 1998; Slater & Narver, 1995). Articulation is the process of combining the information from the accumulation process with the organizational members' experience and specific organizational factors to improve know-how and create organization-specific applications for particular tasks. To develop an organization's marketing capabilities, the manager needs not only to recognize the limitations of the organization's existing capabilities but also to determine what works and what does not work when applying new accumulated marketing knowledge to the business operations (Celuch, Kasouf, & Peruvemba, 2002, Day, 1994b). Finally, the codification phase involves the documentation of new knowledge into action guides or operation routines to develop the organization's capability to undertake certain tasks. An organization is able to solve deeper marketing problems by integrating the newly learned marketing knowledge across functional lines and developing action-oriented procedures to deploy market-based resources (Day, 1994a; Vorhies et al., 1999).

In this research, we adopt this learning mechanism model to draw implications from our research data on British charity retailers. Nowadays, NPOs are increasingly venturing into the field of commercial activities due to the intense competition for the limited government funds and declining availability of donor funds for third-sector organizations that address social problems (Chew, 2009; Chew & Osborne, 2008).

Charity retailing appears to be one of the most popular routes whereby NPOs engage in commercial activities (Broadbridge & Parsons, 2003a; Hibbert et al., 2005; Horne, 1998). To compete in the marketplace, charity retailers need to adopt a more complex business model and become more market-oriented entities. Previous studies reveal that an NPO's embracement of market orientation yields many positive effects, such as enhancing its sensitivity to social problems and commercial fundraising opportunities (Gainer & Padanyi, 2005; Shoham et al., 2006; Wood, Bhuian, & Kiecker, 2000). To deploy market-based resources, it is necessary for charity retailers to engage in learning activities to develop their marketing capabilities. Our quest is to explore the process of charity retailers' learning activities for the development of marketing capabilities.

Research Method

The multiple-case study method is suitable here because of the uncharted territory of organizational learning and marketing capabilities development for charity retailing. Prior studies in this field also employed case studies to highlight the dynamic process of learning activities (see Brady & Davies, 2004; Davies & Brady, 2000; Kim, 1998). We aim to identify the key building blocks for the development of a theory of organizational learning and marketing capabilities development in the charity retail sector. Yin (2003) suggests that multiple-case study is the preferred research method for examining social phenomena because it allows researchers to develop an understanding of real-life events and is more likely to yield more generalizable conclusions than a single case study. The case study allows us to capture a preliminary set of insights with regard to the learning process and build theory about such phenomena. Multiple cases permit researchers to draw conclusions based on replication logic within each case, which allows a close correspondence between the theory and the data (Eisenhardt & Graebner, 2007).

The setting is the charity retail sector, which possesses a nonprofit status, provides a social service, and also generates the majority of its revenue through commercial trading, which fits our description of an SE. The case selection was based on theoretical sampling (Yin, 2003), which controls the location and industry factors, and the following indications demonstrate clearly in their publications (i.e., organizational journal publications, the Internet, annual reports) the nature of the business. They are (a) a charity registered under the U.K. Charity Commission and (b) the organization practicing charity retailing for increasing charitable funding for more than 5 years to enable record tracking. We randomly selected 90 organizations from the membership of the Charity Retail Association website and wrote to invite them to participate in our research as case studies. We initially received 23 positive responses, then followed these up by telephone to screen against our case selection criteria, seek cooperation, and assure anonymity. In the end, we narrowed the sample down and collected data from eight organizations for a multiple case study (Table 1). In the qualitative approach, the research findings can be used for developing analytical generalizations, theoretical

Table 1. Profile of Cases

	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8
Description	The charity retailer offer a wide range of 100% donated goods such as clothing, furniture, household goods, sporting equipment, books, and so on.	The charity retailer offer secondhand good and new furniture that made from individual trainees who has learning disabilities and difficulties.	The charity retailer (online and in-store) offer both donate and new (charity brand name and logo attached) products	The charity retailers offer a wide range of cards and new goods, and a range of good-quality, secondhand items such as clothing, books, records, CDs, and electrical goods.	The charity retailer has a chain of 27 shops, one specializing in the sale of recycled furniture. It also sell a range of goods on eBay and Amazon.	The charity retailer offer selling good-quality, nearly new clothing at an affordable price.	The charity retailer provides clothing and furniture to bric-a-brac and electrical goods.	The charity retailer recycle unwanted domestic furniture and offer good-quality, affordable furniture to the local community.
Social mission	Responding to the needs of humanity	Training people with learning disabilities	Improving animal welfare	Providing quality time and service for each patients	Improving end-of-life care	Community transformation	Supporting and training homelessness and exclusion	Combating poverty
No. of interviews	7	4	5	3	5	3	6	3
Visible social impacts	One of the leading charitable organizations in the United Kingdom. The area of involvement includes homeless, drug rehabilitation, education, and medical assistants	Education and work experience is embedding through charity activities for the purpose of giving people with learning disabilities and difficulties a unique learning experience	Improving animal welfare, rescue and rehabilitate animals and advise government on animal-related legislation	To provide specialist palliative medical and nursing care to patients with life-limiting illnesses	Providing extensive range of clinical expertise in specialist palliative care and working in close partnership with the NHS	Homelessness service (a 22-bed hostel for people who are experiencing homelessness); employability service (information, advice, and guidance on employment opportunities, training, and education)	Helping directly individuals and families through projects that are practical and sustainable	Supporting housing (safe environment and promotes independent living); support training (appropriate, nonthreatening opportunities for learning, training, and qualifications)

propositions, and models that can be developed for future testing (Blumberg, Cooper, & Schindler, 2005).

The data-collection process took 5 months, from March to July 2009. The interviews were digitally recorded with the participants' prior consent, with each interview lasting between 45 and 90 min. Thirty-six interviews were conducted for this research with senior managers of the organization who held business titles such as managing director, director of business development, and senior manager.

The interview recordings were subsequently transcribed and analyzed using the inductive approach, which allows the theory and findings to emerge from the data. We started by categorizing the interview transcripts into groups—accumulation, articulation, and codifications. The purpose of this research is to explore the organizational learning process for the development of marketing capabilities. The marketing capabilities literature (Morgan et al., 2009; Vorhies & Morgan, 2005) provided a useful starting point for understanding the classifications of marketing capabilities, such as pricing, product development, channel management, selling, market information management, marketing communication, marketing planning, and marketing implementation. We began by highlighting the key passages in each group of transcripts with regard to the different types of marketing capability and coded them according to the relevant key variables and relationships—(each type of) marketing capability, accumulation, articulation, and codification. We then proceeded by assigning these quotes to categories with labels summarizing the key characteristics of their contents. This list was subsequently refined by deleting and combining certain categories and establishing any links between them. Once these general themes had been identified, we sought out the "negative" cases, which did not support our "emerging" understanding of SEs and tried to explain them.

The data were entered and analyzed using Nvivo,[2] a qualitative data analysis software program for handling nonnumerical and unstructured/semistructured complex data by enabling systematic data coding, sorting, information arrangement, and the extraction of patterns (Richards, 1999; Welsh, 2002). The researchers checked the interview transcripts against the notes taken during the interviews. There were no major discrepancies with the content, apart from editing and correcting the interview quotes. This data-reduction process formed a database for this project, together with all of the available documents, interview transcripts, and internal and published reports. Each case study was analyzed individually, and the main findings presented in this section are based on cross-case analyses. The significance of the key themes, categories, similarities, and differences was influenced by theoretical insights into specific research questions or phenomena. Given the space limitation, we provide only brief summaries of the interview data collected for each of these themes. Representative quotes and associated interpretations are presented in Tables 2, 3, 4, 5, and 6.

Findings and Analysis

Figure 1 highlights the organizing framework that emerged from our results.

Table 2. Key Findings—Accumulation

Key aspect	Interpretations	Representative quotations
Recruitment	• Acquiring staffs with for-profit industry experience in similar job functions and positions • Acquiring staffs with experience about conducting business practice in nonprofit sector in similar job functions and positions	• "I have bought with me some knowledge about the business strategy into this place. [. . .] Clearly, to me, there aren't many people in our sector who know and use it in this way [. . .]. Therefore, we are able to quickly expand our retail outlets across the country." (Case 2) • "We are looking for managers who have been working for national nonprofit organizations [which also practice commercial activities], rather than hiring them straight from the industry [for-profit]. They have more ideas on how these [commercial activities] support this environment [nonprofit sector]." (Case 4)
External research	• Learning from competition and modelling others best business practice	• "We consistently look at what others have done and discuss this with our senior management team to find out what we can come up with. Our regional manager needs to provide this information to us, routinely. It is not only part of marketing research but also to see what we can learn from them to improve our business." (Case 5—similar remarks Cases 1, 3, 6, 7, and 8)
Training and development	• Training provided by the state-sponsored educational institution • Training provided by the private institution (for-profit or charitable)	• "We have worked with the XXX college [in the local area] to provide the necessary training for our full-time staff, as well as our volunteers. [. . .] our people are generally pleased about the training course, especially excited to learn that they can receive a nationally recognized certificate after completion." (Case 2) • "Normal business training is very important for us, something like health and safety, lots of different issues with risk assessment, and other business- and operation-related issues. We are working with XXX [a private training provider] to deal with all of those things." (Case 3)
Association and social networks	• Frequent gathering allows the members of associations and social networks to share their operation expertise and experience with each other	• "We get together with other charities, and we meet at least twice a year [. . .] and share results and ideas about what we are all doing. It is quite an open forum so people do discuss our figures and what revenue they would be making. [. . .] we share our successes and warn people about things that might not have worked out so others don't get taken for a ride." (Case 4)

(continued)

Table 2. (continued)

Key aspect	Interpretations	Representative quotations
	• Regular publications allow the members of associations and social networks to learn the most update news and knowledge in the field	• "We have formed an alliance with several businesses in our region. [. . .] other than the donation and sponsorship support, some of them will provide some advice for our business operation." (Case 8—similar remarks Case 6) • "I do get retail analysis each quarter from XXX. [. . .] they tell me figures about what is happening in the market in general. [As a member of the association] we are also required to fill in the questionnaires each quarter to tell our side of the market story. I think this is a win-win situation." (Case 1)
Internal research	• Learning from internal business intelligence cross-business unit (strategic level)	• "We constantly collect evidence on how successful our practices are because it is important that we are giving our users the best services. For us, to receive certain statuary funding, we have to adhere to certain performance indicators and certain score boarding practices." (Case 1—similar remarks Case 4)
Staff responses	• Learning from the staff feedbacks on the implementation and execution of current practices (tactic level or case-by-case)	• "[. . .] our staff needs to regularly provide feedback to the office about the business practice for a set period of time. [. . .] it allows us to revisit the operational manual for both business and social practice." (Case 7) • "For newly planned and implemented programs, we always ask the frontline staff to provide feedback and suggestions to help us improve them in the next period." (Case 3)

Theme 1: Marketing Knowledge Accumulation

Knowledge accumulation involves acquiring the expertise and skills related to executing critical tasks. It can be categorized into two approaches: exploration and exploitation. The former aims to capture new ideas whereas the latter intends to replicate the existing methods in new contexts for continuing improvement (He & Wong, 2004; March, 1991). We discovered in our research that the major activities of the exploration approach for SEs include recruiting, external research, encouraging and supporting training and development, managing association and social networks, and developing cross-sector alliances. The major activities of the exploitation approach for SEs include internal researching and collecting staff responses.

Table 3. Key Findings—Articulation

Key aspect	Interpretations	Representative quotations
Transfer information to explicit knowledge	• Organization provides opportunities for individual staffs to exchange and compare their thoughts on information and knowledge learned from accumulation phase through collective discussion, debriefing session, and performance-evaluation process • Communicate the organizational boundaries for the application of explicit knowledge	• "After every training program, we will ask the participants to sit down and discuss what they learnt from the program. I, personally, think this is important to help them to align what they have learnt and what we expect them to do in practice. [. . .] especially, we are a not-for-profit organization, so we need to operate within certain rules. They need to understand that they cannot apply everything [that they learn] in practice." (Case 7—similar remarks Cases 2, 3, 5, 6, and 8)
Social mission aspect	• Organization is conditioned by its social mission to the extent on the application of explicit knowledge into business operation	• "Our social mission is to reduce the homeless people on the street. Therefore, we provide them with necessary training to enter the job market. [. . .] on many occasions, we will use them as trainees in our retail business to offer them more practical experience, as well as a job history on their CV. [. . .] this may not be the best way [cost efficiency], considering the skill differentiation between trainees and well-trained retail staff, but that is our mission." (Case 8—similar remarks Cases 1, 2, and 4)
Social business aspect: nonprofit legitimacy	• Organization is conditioned by its nonprofit legitimacy status to the extent on the application of explicit knowledge into business operation	• "I heard a lot about this motivational issue [cash bonus for salesperson/fundraiser in a nonprofit organization]. But, we don't give our sales team a bonus like a private company. [. . .] we are a nonprofit organization." (Case 4) • "All the revenues are distributed to our community project. [. . .] investing in the expansion of our commercial operation is the last thing that we will look at." (Case 6)
Social business aspect: volunteer	• Organization is conditioned by its voluntary workforce who represent a large portion of total numbers	• "Volunteers are very important to our business model. It allows us to save operation costs. [. . .] however, you also can't expect them to be as flexible as paid staff." (Case 2)

(continued)

Table 3. (continued)

Key aspect	Interpretations	Representative quotations
	of staff to the extent on the application of explicit knowledge into business operation	• "[. . .] paid staff can be managed whereas volunteers give their time freely and it is more difficult to manage that. Especially, when you want to make certain changes [adopt staff strategy model—a system that calculating the percentage mixture between paid staffs and volunteers to maximise the profitability], some volunteers do not cope with our new strategy well because it involves some changes about timetabling." (Case 1) • "[. . .] volunteers come and go quickly. Although we do treat them as equal to our paid staff and provide them with the same level of training, you will never know when they will leave." (Case 7) • "[. . .] to set out to test the model, to see if we did change our staffing strategies in the shop [charity retailer] what impact would have on our ability to merchandise the same level of stock that we would do in normal shops. What we decided to do was to shrink the shop size down, formulating a model for a smaller shop and downsizing including the staffing and what we now have is all new shops operating. [. . .] although the overall revenue is less [than the old operating model], our profit margins remain the same because of the lower cost." (Case 1)

Recruitment, in this context, refers to SEs attempting to gain the necessary business knowledge through hiring experienced staff. Our results suggest that SEs are looking for candidates with experience of either for-profit business or business practice in the nonprofit sector. Hiring candidates with the former enables SEs to handle commercially related tasks easily. Alternatively, employing candidates with marketing experience in the nonprofit context can help SEs to capture business knowledge from the nonprofit perspective. Second, the search for the best industry practice for gathering business intelligence from others and imitating their superior business practice is a familiar idea in the for-profit world (Prahalad & Hamel, 1994). Surprisingly, we learn that SEs are not only adopting this strategy but also performing it thoroughly, which indicates that they have adapted and are continuing to adapt to the changing environment. Third, staff training and development offer an effective way to acquire the necessary knowledge for the organization. We found that training courses were offered by two types of

Table 4. Key Findings—Codification and Marketing Capabilities (1)

Key aspect	Interpretation	Representative quotations
Pricing capabilities—The organization has the ability to set the price for responding market changes and competition	• Price-setting capability within the social enterprise—guidelines of price research and setting • Price-setting capability vis-à-vis customers—training menus with regard to price setting and consumer responses	• "We always have someone to check the price [in another charity retailing shop] and feed this information back to us. [. . .] To save some time and effort, we had only asked them to look for certain items. [. . .] so we can analyze and come up with some ideas about what others have done]." (Case 2) • "They [the customers] have no loyalty. [. . .] they go around different shops [charity retailers] and look for the cheapest price. As a result, we are always making sure that we offer the cheapest products around the block." (Case 4—similar remarks Case 8)
Product development capabilities—The organization has the ability to develop and launch the product to meet the needs of customers.	• Procedures of introducing a new product line—seeking professional advices and training the internal staffs for the new work model • Add service element to the product—the social enterprises are completing through service	• "What we have done here is to liaise with the charity called XXX, which repairs white goods and small electrical items and we sell them in our store on a commission basis. [. . .] we also encourage and sponsor our staff for continuing training to learn more knowledge related to this new product line. In our organization, we have a procedure to encourage our staff to come up with new ideas for products that we can sell in our store." (Case 6—similar remarks Case 8) • "Apart from other charity shops, we sell the furniture in a warehouse setting. [. . .] we have work manuals about how we run this place. [. . .] in the initial stage, we receive a lot of good advice from the companies that run big hardware stores about how to run the business in warehouse settings." (Case 8) • "We are not only adding these new offers [white goods] but also providing a delivery service for these items. Of course, much training is also taking place because of this." (Case 6) • "All the products [white goods and furniture] have 6 month manufacture guarantees. [. . .] we also provide the delivery and installation service. They are very popular in our stores." (Case 2)

Table 5. Key Findings—Codification and Marketing Capabilities (2)

Key aspect	Interpretation	Representative quotations
Channel management capabilities—The organization has the ability to manage the distributors of the organization as well as adding value of the organization's own distribution practice	• Donor relationship management—record contact information and keep in touch • Distribution channel management—establish warehouse operation and move toward the standardization of the charity retail store	• "Donors want to feel that they are being appreciated as well as know that their contributions really make a difference. [. . .] we try to keep records of our donor as much as we can. However, it is not always easy, if they just left their donations [donated merchandise] outside our shops. [. . .] we will send letters to express our appreciation and update them about our charitable accomplishments every year. We found that the donors come back to us, again and again." (Case 4—similar remarks Cases 2, 3, 5, 7, and 8) • "We have clear guidelines on what should and what shouldn't go out. [. . .] they are very clearly displayed so the whole thing is professionally managed." (Case 5) • "We just established our warehouse to sort and manage the distribution of the merchandise. We produce a product catalogue and display it in our store, so customers can see what we have carried out in our warehouse and other shops. [. . .] it does not really operate like the typical warehouse with all the high-tech features, such as bar codes and so on. It is very expensive if we choose to do it that way. Instead, we use our volunteers to do most of the work, such as sorting, recording, and so on. [. . .] we have given them different manuals on how to do these jobs." (Case 2—similar remarks Cases 1, 3, 4, and 6) • "[. . .] we use standard equipment, kits, and material across all of our shops. [. . .] we have a specific project plan on how we do these things. [. . .] we already have a standard shop fit specification that we drew up a few years ago, and we have gradually amended this to match the current market requirements." (Case 5—similar remarks Cases 1 and 4)

(continued)

Table 5. (continued)

Key aspect	Interpretation	Representative quotations
Selling capabilities—The organization has the ability to develop sales management planning and controlling system and provide training to the sale representatives	• Measurement system—system in place for measuring the selling performance from shop level to individual level, with special emphasis on service quality and customer satisfaction • Competency creation system—training and work manuals provide guideline of the task • Motivation system—most of individuals are naturally motivated working in this sector	• "We have used the mystery shopper approach to study the quality of our services and customer satisfaction. [. . .] it is really just to get feedback on their behaviour pattern and their service levels when they face customers." (Case 5) • "We might get customers who want to make a point about our services. [. . .] they can either go to our regional or central office to complain about a shop and the practice within the shop. [. . .] we will have someone to deal with that right away." (Case 1) • "We ask all of our volunteers to read and practise the things listed in the staff manual before working in our shops. [. . .] we also provide induction onsite training when they arrive." (Case 2) • "The reason for me and my team to do it [working in a charity retail store] is to really try to give something back to society. [. . .] there is no point for you to do this kind of work if you don't feel motivated to [. . .] ." (Case 3)

institution: state-sponsored education institutions and private organizations. The informants suggest that using training to motivate staff (Facteau, Dobbins, Russell, Ladd, & Kudisch, 1995) can also be effective in the nonprofit sector. The final exploration approach is through information sharing among social network members, including business partners and other SEs. Two major types of knowledge accumulation occur in this approach: acquiring knowledge through frequently gathering it from members or from the association and social networks' regular publications. As the networks' members can be potential competitors in the marketplace, however, we found that the level of trust is critical for setting the platform for knowledge sharing.

The exploitation approach is more geared toward the refinement of the existing method into an advanced version of the contexts (Easterby-Smith & Prieto, 2008). The first type is internal research. The results suggest that some SEs have attempted to use internal research mechanisms to find the best practice business units with the organization and encourage other business units to learn from them. This implies that some SEs have entered the stage where they can use performance feedback to generate new knowledge that is more suitable for their organizational-specific practice. The second

Table 6. Key Findings—Codification and Marketing Capabilities (3)

Key aspect	Interpretation	Representative quotations
Market information management capabilities—The organization has the ability to acquire information about the key customers and analysis those information to develop effective marketing programmers Marketing planning capabilities—The organization has the ability to acquire information about the key customers and analyze those information to develop effective marketing programmers Marketing communication capabilities—The organization has the ability to manage customer value perception	• Market information generation—procedures for gathering information from both customers and industry partners	• "We want our managers to understand the clothing and the fashion market. [. . .] other than reading the magazine articles, we want them to talk to our customers to find out the last trends in the industry. [. . .] managers need to file a report to us to let us know the priority of sorting for the next season." (Case 1—similar remarks Case 5) • "We have established a relationship with the local furniture company. [. . .] when consumers made a purchase from them, we then help to deliver and collect secondhand furniture which we can resell in our furniture warehouse. [. . .] it is a win-win situation." (Case 8—similar remarks Case 6)
Marketing implantation capabilities—The organization has the ability to transform intended marketing strategy into realized resource deployments	• Communication and public relation—assessment procedures to approval marketing expenditures	• "First of all, our marketing budget is not as high as the public may think. [. . .] most of the time, we are running on a very tight budget for advertising. [. . .] second, we don't want the public to feel that we spend a lot of money on marketing as a charity. [. . .] finally, and most importantly, we believe that the money should be allocated more to our social project. [. . .] as a result, we have a sort of marketing spending assessment exercise in my department [public relations]. All marketing spending will be assessed in the same way." (Case 1) • "We learnt a lot in these couple of years about how to use our high-street presence to tell people more about the charity and what we do [. . .]. I don't think that we will shift our focus [from social communication to commercial advertising] in the near future." (Case 4)

(continued)

Table 6. (continued)

Key aspect	Interpretation	Representative quotations
	• Planning, executing, and monitoring marketing strategy—standard procedure for the marketing planning and executing with less comprehensive monitoring system for marketing performance	• "Our marketing department takes care of all sorts of things [planning, executing, and monitoring] that you mentioned. [. . .] for us, it is really about following a standard procedure to spend our marketing budget. [. . .] a detailed marketing proposal will be developed, and we will assess the proposal based on the impact that the marketing campaign makes." (Case 8) • "Assessing a marketing plan takes years of experience. At the same time, we encourage our staff to learn the latest marketing applications, such as e-marketing. [. . .] we are always brainstorming the best way to develop and evaluate a marketing plan as well as make sure that we have the necessary talent to make this plan work." (Case 1)

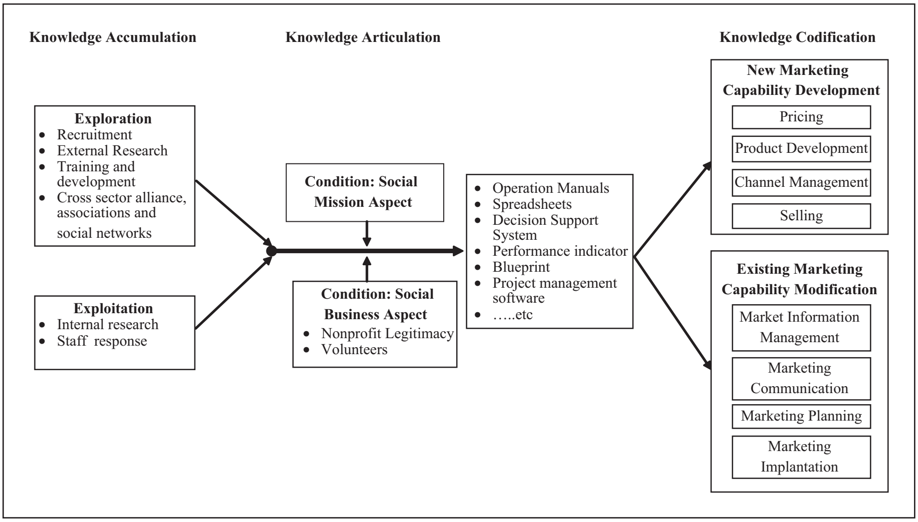

Figure 1. Organizational learning process
Source: Developed from case study data.

type is staff responses. Unlike the internal research approach, that emphasizes systematically analyzing the organization's performance in different operational areas, the staff responses serve as a tactical level of learning mechanism to seek immediate staff feedback on the implementation and execution of the current practices on a case-by-case basis. The SEs' managers can quickly learn from the outcomes of a particular organizational policy and attempt to adjust it in the near future.

Our results show that all eight SEs employ both exploration and exploitation activities simultaneously in the accumulation phase of the organizational learning process. Experts argue that the organization's ability to conduct these two learning activities simultaneously is essential for the development of organizational capability (Adler, Goldoftas, & Levine, 1999; Levinthal & March, 1993), and we observed similar behavior in the SEs. These marketing knowledge accumulation activities allow SEs to gather information about the marketing practices that could be implemented in their business operation. Zollo and Winter (2002) suggest that these activities are very important in building the foundation for further improvement. In this learning stage, the SEs attempt to collect any relevant marketing knowledge nondiscriminately, without considering whether it is suitable for a social organization or whether they can enhance their marketing performance, given the nature of their business. To assess and determine the usefulness and practicality of this accumulated knowledge, the SE needs to proceed to the second stage, which is knowledge articulation.

Theme 2: Marketing Knowledge Articulation

Knowledge articulation is the process of consolidating the information generated from the accumulation process and organizing it into explicit knowledge that everyone in the organization can access and practice through collective discussion, debriefing sessions, and a performance-evaluation process (Zollo & Winter, 2002). The informants mention that there are boundaries to the application of explicit knowledge accumulated through the learning process. To translate the knowledge into the actual business routine, some adjustments are required. We found that two conditions that facilitate these adjustments emerged from our research data: the social mission aspect and the social business aspect.

For the social mission aspect, an SE's specific social mission conditions the application of explicit knowledge. The representatives clearly state that some adjustments are required according to the conditions of the organizational specific social mission. Individuals may receive training in improving operational efficiency in the retail environment. For example, Case 7 informant (Table 3) suggests that some adjustments are required to the conditions for the organizational specific social mission—supporting and training homeless individuals. As a result, the manager of a charity retail operation may know some tactics regarding how to improve operational efficiency in the retail environment, such as using professional staff in a charity retail store, but the manager will choose to use trainees (homeless individuals) instead. This implies that, to align themselves with their social mission, SEs are willing to forgo the potential economic benefits that may arise from the practice of explicit knowledge and choose instead to honor its social mission to gain less desirable outcomes.

In comparison to the social mission aspect, whereby SEs are constricted to run their charity shops in the way that will fulfill their specific social mission, the social business aspect of the condition relates to the way in which SEs conduct their charity retail operations to meet the publicly accepted manner in which a social business is supposed to operate. In this sense, different SEs may have been restricted by different social missions with regard to the application of explicit knowledge. In contrast, every single SE will be subjected to very similar social business aspect conditions when choosing to apply specific business knowledge to charity retail operations. In this research, we have identified two primary social business aspect conditions: maintaining nonprofit legitimacy and factoring a voluntary workforce into SEs' business plans. Although SEs view commercial activities as part of their revenue scheme, however, they still want the public to grant them the status of an NPO or nonprofit legitimacy (Eikenberry, 2009; Eikenberry & Kluver, 2004). We found that SEs limit themselves to implementing certain knowledge into their commercial practice. The informants explain that the SEs are eager to maintain their legitimacy as NPOs by abandoning some potentially beneficial business management ideas. This shows that the managers not only recognize and take advantage of business values and techniques but also are concerned about the changes in the nature of the sector. Organizational legitimacy, which is perceived as certain "expectations" imposed by society to enjoy continued access to resources (Campbell, Craven, & Shrives, 2003), appears to draw a line in the sand about what kinds of explicit knowledge are appropriate for SEs to adopt.

The second theme that emerged in the social business aspect concerns dealing with voluntary staff. Voluntary staff has long been seen as a source of competitive advantage for NPOs (Farmer & Fedor, 2001). Handy and Brudney (2007) indicate that organizations usually use a combination of volunteers with paid staff to carry out their daily operations, so the average unit of the workforce is below the market price. The volunteers also bring some intellectual capital to the SEs, so volunteers are very valuable to them. However, our findings suggest that having a high portion of voluntary staff can reduce the SEs' ability to develop key competence in business operations. Because of the voluntary and temporary nature of volunteers, the SEs are forced to make some adjustments to the explicit knowledge when applying it to their business operations. When an organization decides to implement a new operational model, the volunteers may not embrace the changes as easily as the paid staff. For example, Case 1 informant (Table 3) describes the situation when the organization attempts to introduce the new staff strategy model, which can improve the store's revenue, and the voluntary staffs do not cope with it very well because it involves some timetable changes. The organization can be trapped in a cycle of constantly recruiting and training new volunteer staff. Therefore, some adjustments are required. As a larger portion of the volunteer workforce mixes with the paid staff, this can lead to higher performance per amount (cost) spent on conducting the business, so the SEs appear to be reluctant to give up this advantage.

Overall, we learn that SEs cannot adopt explicit knowledge in their operational model without some modifications. The social mission aspect highlights that the application of the explicit knowledge of business practice must be consistent with the organization's social mission. The social business aspect emphasizes that the adjustments of the explicit knowledge need to be aligned with the organizational legitimacy and be able to cope with the high portion of voluntary staff. Several previous studies have pointed out the dilemma that the nonprofit sector faces when engaging in commercial activities (Bode, Evers, & Schulz, 2006; Cooney, 2006; Weisbrod, 2004). NPOs want to become self-sufficient economically to continue providing social services without worrying about funding by becoming an earned-income SE. However, as Foster and Bradach (2005) and Cooney (2010) suggest, NPOs will face tremendous challenges, mainly due to the impending conflicts between their commercial and social missions and the associated activities. For that reason, it is critical for NPOs to seek solutions to balance them. SEs understand and weigh their choices and associated outcomes against the kinds of marketing knowledge that are more suitable for the nonprofit sector and make decisions accordingly. Our findings reinforce this argument by providing empirical evidence to suggest that SEs in the charity retail sector sometimes choose to sacrifice potential commercial benefits by forgoing certain marketing knowledge to maintain their role as social-mission-centered organizations. Once the SEs decide which kinds of marketing knowledge will be adopted for their business practice, they then attempt to communicate the content, methodology, and rationale (Kale & Singh, 2007) to their staff for executing and managing various marketing-related tasks. This learning process is known as *codification*.

Theme 3: Marketing Knowledge Codification and Marketing Capabilities Development

Codification, which is the process of documenting explicit knowledge in writing, enables the organization to provide guidelines for the execution of future tasks (Kale & Singh, 2007; Zollo & Singh, 2004). The codification phase in the learning process plays a pivotal role in ensuring that guidance can be used by the organization by clearly identifying the sets of conditions required for the performance of tasks. By closely examining the interview data, we find that the codification process of marketing capabilities can be divided into two groups: new marketing capabilities' development and existing marketing capabilities' modification. The former refers to the types of marketing capability that are relatively "new" to the NPO when engaging in charity retailing, such as pricing (i.e., product retailing), product development, channel management, and selling. In this sense, NPOs need to develop the operating routines for these marketing functions from scratch. Alternatively, the existing marketing capabilities refer to the types practiced under the concept of "nonprofit marketing," such as market information management, marketing communication, marketing planning, and marketing implementation. Before attempting to establish charity retailing practice, NPOs should already be capable of practicing these marketing functions. The focus for SEs here is to extend and recombine the existing nonprofit marketing process for use in retail marketing. The following discussion indicates how to develop these two types of marketing capability in the codification phase of the organizational learning process.

For new marketing capabilities' development, the key findings are presented in Tables 4 and 5 .

A high percentage of products that the SEs carry are donated, secondhand goods (Horne & Broadbridge, 1995), and almost all SEs offer a similar product range (Hibbert et al., 2005). The combination of these factors intensifies the price competition. Dutta, Zbaracki, and Bergen (2003) suggest that pricing capability can be divided into two dimensions of price setting: that within the organization and that vis-à-vis the customer. The former pricing capability involves systematically identifying and analyzing the competitors' prices and using this knowledge to place the respond price. We found that the explicit knowledge about identifying what the competition is doing has been codified into the price guideline and used to develop the pricing capability. The price-setting capability vis-à-vis the customers refers to the ability to sell to customers without affecting the business–customer relationship (Dutta et al., 2003), which also appears to be relevant to SEs, as it binds the organization from raising prices.[3] Our findings suggest that this is because consumers are very price conscious and do not remain loyal to a particular charity retail store. As a result, the store managers need to be trained to have a sensitive awareness about the consequences about their pricing strategy.

Second, our data show that the product development capability is associated with the introduction of a new product line or adding a service element to the product (Table 4). We found that the SEs have made considerable efforts to introduce new products to the market by seeking professional advice and training to become familiar with the new product offer. For example, the informants talk about the organizations' new product offers, such as white goods (i.e. fridges, cookers, freezers) and small electrical items, which are inconsistent with the traditional product offers of SEs (i.e., books, clothes). Besides adding new product lines, we found that the SEs also tend to compete via services. For example, Case 4 informant suggests (Table 4) that their charity retail store tends to offer installation and delivery services if the customer purchases white goods and furniture from them. This response reflects on Lusch, Vargo, and O'Brien's (2007) suggestion that retailers' competitive advantage can be enhanced through service. Our findings suggest that a new battle frontline on service has emerged among SEs.

Third, we found that there are two areas of channel management in the charity retail sector: the donor relationship and distribution channel management. The informants suggest that donated merchandise can be sold either in the charity retail store (roughly 20%-30%) or to recycling companies (roughly 70%-80%). In theory, as long as the donated merchandise keeps flowing in, SEs can remain better off, even without establishing contact with their customers. Therefore, SEs have established a standardized procedure for managing their relationship with their donors (i.e., keeping their contact information) to make them feel appreciated and help them to sense their contribution to society. In terms of distribution channel management, two major themes emerged from our results: warehouse establishment and store standardization. A warehouse operation with high-technology automation provides tremendous opportunities for retail companies to improve the effectiveness and efficiency of their distribution channels (Gu, Goetschalckx, & McGinnis, 2007). Although SEs may be unable to afford the installation of a big price tag automation system in their warehouse, they do leverage their ability to attract volunteers to work there. However, store standardization provides the benefits of quality control, cost minimization, and image uniformity (Kaufmann & Eroglu, 1999), and we found that SEs also desire to capture these benefits. The existence of worker manuals on pricing, labels, and so on, or a project plan for store fit specification allows the store staff to place the products in the designated place. The product catalogue is produced to increase the product display capability beyond the physical limits of the store's shelves.

Finally, regarding selling capability, Shapiro, Slywotzky, and Doyle (1997) point out that an organization can capture a competitive advantage by strategically managing its sales force through the development of measurement, competency creation, and motivation systems. The uniqueness of SEs is that they must build all three systems primarily around their voluntary workforce, as all of the research participants suggest that a single charity retail store is often operated by one paid shop manager and several volunteer staff. For the measurement system, our results show that all of the cases have a performance measurement system in place for measuring the selling performance from the shop level to the individual level. There is a strong emphasis on improving service quality and consumer satisfaction. In terms of a competency creation system, we found that all of the cases provided some sales manuals or training for their voluntary staff. The quotations reveal that SEs make good efforts to build the competence of their frontline retail staff, even though the voluntary staff may come and go at any moment. Finally, regarding motivation, our findings suggest that SEs do not have a proper motivation system for two reasons. First, a cash bonus does not really fit into the social sector. There is a strong tendency for SEs to maintain their legitimacy status and to believe that cash incentives will severely damage this. Second, most of the individuals who join SEs are already motivated to engage in any kind of work within the organization for providing benefits to society. The informal peer and society recognition is enough to keep them at the motivational stage.

For existing marketing capabilities' modification, the key findings are presented below. Given that these marketing capabilities (i.e., market information management, marketing communication, marketing planning, and marketing implementation) have already been used to deploy marketing resources under the concept of nonprofit marketing, we found that the representatives from the SEs cannot really distinguish between them. Many of their responses overlap from one type of capability to another. We attempt to discuss these marketing capabilities together in this section under three major themes generated from the case studies: (a) marketing information generation, (b) communications and public relations, and (c) planning, executing, and monitoring marketing strategy.

In terms of marketing information generation, we find that SEs attempt to collect the market information from two primary sources: customers and industry partners. As discussed earlier, SEs have standard procedures for collecting information from their retail customers to ensure the quality of their services. We also surprisingly found that the SEs are keen to embrace and manage information about fashion. Horne and Broadbridge (1995) suggest that fashion-conscious customers want designer clothes at reasonable prices and are prepared to purchase secondhand, classic clothing. The quotations point out that some SEs have set up a procedure to track customers' wants and needs with regard to fashion. Alternatively, the industry partners provide valuable information on the supply side of the value chain. Hibbert et al. (2005) recommend that a charity retail store can establish links with DIY stores to capitalize on the opportunities for collecting unwanted goods. Our results show that SEs have already capitalized on these kinds of opportunities by systematically collecting the information from their industry partners or working harder to achieve win-win situations.

Second, communications and public relations cover a wide range of activities, such as advertising, marketing, and classified ads. The general responses under this theme suggest that these activities always take place under a very tight advertising budget. The studies suggest that the marketing spending for SEs heavily influences public perceptions. Despite the advantage of increasing revenue through marketing spending, Eikenberry and Kluver (2004) suggest that social organizations face the challenge of balancing their charitable status and commercial image in the eyes of the public. In other words, SEs do not want to lose their legitimacy status by spending excessive amounts on marketing. This implies that the development of assessment procedures must also be subordinate to maintaining the legitimacy status. Another aspect of this is to use the high-street presence of charity retail stores to enhance the image of SEs. The advertising potential of charity retail stores, because of their high-street presence, has long been recognized among academic researchers and practitioners (Horne, 1998; Parsons, 2004). The quotations suggest that SEs are exploring different ways to tap into this market-based resource. At present, there is still a lack of a standard guideline on fully using this advertising potential.

The final theme that emerged in this section is the planning, executing, and monitoring of the marketing strategy. The comments of the representatives hint at how the marketing planning is developed, evaluated, and executed in SEs. Although the final decision will be based on human judgment, there is a standard routine for guiding all of these tasks. SEs are keen to develop their staff's skills regarding the adoption of new technology for marketing planning and execution. In terms of monitoring performance, we found that most of the SEs in our case study do not have a comprehensive marketing performance monitoring system, due to the limited amount of money spent on marketing and their very straightforward marketing method, such as placing ads in local newspapers when a new store opens. The marketing activities in which the SEs are involved are usually very short-term based with instantaneous results regarding whether such actions are a success or failure. There is no immediate need to design and implement a monitoring system for marketing performance.

Knowledge codification is an important element of organizational capability building. Given that organizational capability is often referred to as routines or repetitive patterns of task-oriented actions, Zollo and Winter (2002) suggest that the codification process intends to provide guidelines to enable organizations to identify and select the changes in the operating routines or establish new routines for the execution of future tasks. In this research, there are two types of marketing knowledge which have been codified and used to develop marketing capabilities. The first type of marketing knowledge (such as pricing, product development, channel management, and selling) is relatively new for NPOs that are attempting to establish retail outlets. The dominant logic here is new marketing capability creation. Codification, in this context, involves creating and using codified resources to assist the action or decision making related to performing marketing tasks. New documents (i.e., work manuals, handbooks) are developed to allow the staff to adopt these new business methods in the nonprofit sector. However, the second type of marketing knowledge (such as market information management, marketing communication, marketing planning, and marketing implementation) is a relatively familiar marketing concept for SEs. The dominant logic here is marketing capability modification. Codification, in this context, focuses on reusing routines from the nonprofit marketing concept and modifying them to suit the practice of charity retailing. Managers attempt to replicate and transfer their experience of executing nonprofit marketing to the field of charity retailing marketing.

Discussion and Conclusion

In this research, we have explored how SEs using organizational learning to develop their marketing capabilities when conducting charity retail operations. Our findings have several important theoretical and practical implications. The first implication[4] is that there seems to be a lot of imitation of other charity retailers' practices. Relevant work in the organizational learning field suggests that, during the organizational learning process, firms are required to gather management know-how and best practices and determined whether these management experiences are appropriate for firms to adopt (Easterby-Smith & Prieto, 2008; Kim, 1998; Zollo & Winter, 2002). Our research indicates that all eight of the SEs that participated in our research behave similarly throughout the learning process. We attempt to provide two explanations for this phenomenon.

First, all SEs are subject to similar pressures to maintain their social legitimacy. Our findings point out that SEs not only need to reflect on the relevant business and market factors like typical profit-seeking entities when deciding on the appropriateness of explicit knowledge for SEs but also need to pay attention to social factors. This is largely because SEs are hybrid organizations (Cooney, 2006; Dart, 2004), which have both business and social duties to fulfill. Furthermore, it also means that most SEs may not attempt to introduce any radical or controversial innovations to their business model (i.e., providing bonus incentives for salespeople) until most of their stakeholders (i.e., donors, volunteers, customers, and so on) in the sector collectively shift their perspectives about how charity retail stores should be operated. The second explanation is related to the knowledge-sharing effects. We have identified two mechanisms here. The first mechanism is about recruitment practice. Our interview data suggest that many charity retailers have attempted to recruit experienced staff from other SEs that have well-established charity retailing operations and wish them to bring their knowledge to the new workplace. The second mechanism is about knowledge exchange through formal association and informal social networks. Our findings suggest that SE staff are very keen to engage in the knowledge-sharing process.

The second implication concerns the NPOs' commercialization process to become financially independent SEs by engaging in charity-retailing activities and the role that organizational learning plays in this process. Much of the research into NPO commercialization issues has highlighted the financial and social benefits when NPOs adopt market-oriented approaches to their business (Chew & Osborne, 2008; Gainer & Padanyi, 2005; Shoham et al., 2006). A contribution of this research to current NPO commercialization thinking is that, to become more market-driven and business-like hybrid SEs, NPOs not only need to set up a commercial arm (i.e., charity retailing) for fundraising but also require a carefully planned learning strategy to acquire the necessary marketing capabilities to compete in the marketplace. Our research shows that organizational learning enables charity retailers to develop marketing capabilities and become proficient in handling operating retailing activities. Charity retailers that fail to recognize the importance of organizational learning in the commercialization process may be unable to succeed in the long run.

The third implication concerns the performance-improvement strategy for charity retailing. The rapid expansion and development of charity retailing stimulates competition in this sector. Field researchers suggest that charity retailers should adopt a more sophisticated operations procedure similar to commercial retailers, such as focusing more on branding, consumer segmentation, and location strategy to face the increasingly competitive market environment (Horne, 1998; Gregson et al., 2002; Parsons, 2004). Our study introduces another type of performance-improvement strategy for charity retailers and suggests that the development of different types of marketing capability allows charity retailers to enhance their ability to advance their pricing, product development, channel management, selling, information management, marketing communication, marketing planning, and marketing implementation competencies in organizing and designing their marketing program when facing challenges from their competitors.

In general, our research explores the learning process for SEs. Besides the traditional learning methods, we find that SEs also adopt research-based learning methods. These allow organizations to search for a more innovative way of acquiring new knowledge for the purpose of continual improvement. Second, we learn that SEs will only adopt a specific type of knowledge if its application suits its social mission and social business practices and are willing to forgo potential benefits if these conditions are not met. Finally, we found that SEs have developed certain types of new marketing capabilities for their charity retail operations and other types of marketing capabilities are adopted from their social operations. We also acknowledge that the informants have expressed some allegiance to the nonprofit sector as it is historically constituted.[5] Furthermore, other researches (see Adams & Perlmutter, 1991; Cooney, 2006) suggest that, depending on the structure of the agency, staff with different areas of expertise may be concentrated in different parts of the organizational structure, whereby business-oriented people run the commercial enterprise and social workers or other such professionals attend to the mission-related programs.[6] Although we have insufficient data to suggest that the composition of the staff has changed in these organizations as they move toward bringing in more business expertise by hiring new staff, we cannot deny that NPOs that have established charity retail operations must accept some degree of commercialization to compete in the more challenging business environment.

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Notes

1. The Association of Charity Shops changed its name to the Charity Retail Association after consulting its members in 2010 (Association of Charity Shops, 2010).
2. “NVivo 7” is the version of NVivo software used in this research.
3. An anonymous reviewer provided a valuable suggestion regarding this point.
4. This important implication of our findings was highlighted by an anonymous reviewer.
5. An anonymous reviewer pointed this out from our findings.
6. This critical statement was provided by an anonymous reviewer.

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Bios

Gordon Liu is a senior lecturer of entrepreneurship in Business School at Bournemouth University at Bournemouth, United Kingdom. He received his PhD from the Royal Holloway, University of London, Egham, United Kingdom. His current research interests include cause-related marketing, social enterprise, corporate social responsibility, and social alliance. His works had been published in *Journal of Business Ethic* and *Nonprofit and Voluntary Sector Quarterly*.

Wai-Wai Ko is a postgraduate researcher at Royal Holloway, University of London. Her current research interests include knowledge/skill formation, social network, social capital, and business ethics. Her work has been published in *Journal of Business Ethic*.