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Abstract:
The focus of this paper is upon how management is executed by top managers of community pharmacy SME’s in Australia, during times of unprecedented business environment change. Using a qualitative interpretive methodology, the aim of this paper is to serve as a pilot study for a continuing project directed toward the research question: How can we understand managerial capability in relation to effective community pharmacy management? A preliminary conceptual framework is presented which suggests several managerial process interactions which indicate how the participants continue to make sense of and learn within their changing business environment. The framework is a guide for the continuing research. The discussion suggests linkages to the literature and relevant extant theory, which will be developed further in the ongoing research.

Keywords: Managerial capability; Learning; Sensemaking
**Introduction and Background**

Sustained organisational viability is built upon a progression of actions and processes matched to the relevant work environment contexts and the desired outcomes of the times. Appropriate actions and processes are usually enacted by capable managers (Felin and Foss, 2005). A generic notion of ‘capability’ according to Loasby, “implies the potential to deliver consistent performance…” (Loasby, 2010, p. 1303).

Seeking to understand what patterns of managerial behaviour account for deft organisational navigation, decision making and successful outcomes, is a major theme in organisational behaviour research. Multiple and diverse streams of inquiry include the nature of managerial work (Mintzberg, 1980), managerial skills (Katz, 1974), entrepreneurial decision processes (Pech and Cameron, 2006), executive motivation (Goleman, 1995), managerial perceptions (Anderson and Paine, 1975) and managerial cognition (Adner and Helfat, 2003; Johnson and Hoopes, 2003) to name several. Empirical research demonstrates the linkage between managerial capabilities and performance (Adner and Helfat, 2003; Kor and Leblebici, 2005; Moliterno and Wiersema, 2007; Nadkarni and Barr, 2008; Ray, Barney and Muhanna, 2004; Rosenbloom, 2000; Tripsas and Gavetti, 2000).

Generating and sustaining competitive business advantage is a concern of the strategic management field. It is from this field that the concept of dynamic capability (Teece, Pisano and Shuen, 1997; Eisenhardt and Martin, 2000) has evolved from the theoretical framework of the resource-based view (RBV) of the firm (Barney, 1991; Wernerfelt, 1984). RBV theorists suggest that resources, which are simultaneously valuable, rare, inimitable and non-substitutable (VRIN) can be a source of competitive advantage (Barney, 1991). The dynamic capabilities concept extends this proposition to include business environments which are shifting and unpredictable (Eisenhardt and Martin, 2000). Dynamic capabilities are “the capacity of an organisation to purposefully create, extend or modify its resource base” (Helfat et al., 2007), in response to a shifting and unpredictable business environment.

Building on a growing conceptual literature concerning dynamic capabilities, Adner and Helfat introduced the concept of ‘dynamic managerial capabilities’ (Adner and Helfat, 2003), raising the importance of managers’ capacity to enact strategic decisions concerning the resource base of their organisation, in a changing environment. Dynamic managerial capabilities are defined as “the capacity of managers to purposefully create, extend, or modify the resource base of an organization” (Helfat et al., 2007, p. 24). Adner and Helfat as well as others have highlighted the need to better understand what managers perceive and act upon in response to unstable environments (Ambrosini, Bowman and Collier, 2009; Bititci et al., 2011; Sirmon and Hitt, 2009; Bititci et al., 2011). In an extensive review of the literature, Bititci et al (2011, p. 163) suggest: “…that dynamic capability theory is converging towards the notion that a firm’s dynamic capabilities are resident in the firm’s managerial processes…”

Explanations of ‘how’ capable managers go about managing capably, are at least as important as the explanations of ‘what’ managers do, or what knowledge, skills and abilities they possess (Bititci et al., 2011; Helfat et al., 2007). Inquiries into where capabilities come from, how they are constituted, how they function as well as how they are changed are far less numerous than those studies which focus on the capabilities that organisations or their managers possess (Bititci et al., 2011; Helfat et al., 2007). Furthermore, there is a deficit of research establishing “a holistic understanding of the interconnected managerial system and the role and function of individual managerial processes within this system” (Bititci et al., 2011, p. 166). Bititci et al (2011, p. 166) conclude that exploring a better understanding of how managerial process activities are executed: “…will be the key to differentiating the high-performing organisations from lower performing organisations.” It is the promise of this kind of potential reward which motivates this paper, and our ongoing research.
The focus of this paper is upon how management is undertaken by top managers of small to medium enterprises (SME’s) in the health care industry, who are attempting to navigate unprecedented business environment change. The context for the study is the community pharmacy industry in Australia, which is presently undergoing unprecedented change through a range of regulatory and competitive pressures. In particular, we are interested in the managerial processes related to the future performance of the enterprises, controlled by the sample of managers.

The research described in this paper is a pilot study for a larger project addressing the research question: *How can we understand managerial capability in relation to effective community pharmacy management?* The aim of the pilot study is to construct and analyse preliminary concepts and categories arising from initial interviews, which will assist an understanding of managerial capability in the given context. The study will act as a conceptual guide for the larger study.

The concepts and categories constructed in this initial study and their interrelationships, contribute to the larger study by giving theoretical insight and direction in the analysis of continuing interviews (Charmaz, 2006; Corbin and Strauss, 2008). The concepts and categories arising through the pilot study will also provide input required for the ongoing theoretical sampling procedure (Corbin and Strauss, 2008). This procedure requires that future sampling will be guided more by the developing theory than by the original participant selection criteria (Holloway and Wheeler, 1996).

The central purpose of the larger study is to develop theory which is grounded in descriptions from the data (Corbin and Strauss, 2008), and to capture a holistic and integrated perspective of capable management within the current dynamic context of Australian community pharmacy. A direct and meaningful description of managerial capability, within this context, is the ultimate intention. It is also intended that the theory emerging from the analysis of findings in the larger study, will build upon existing theory concerning managerial capability in dynamic business environments.

**Australian Community Pharmacy Context**

For community pharmacy in Australia, the fundamental organisation is the community pharmacy practice. Australia has just over 5,000 pharmacies which are small to medium-sized enterprises (SME’s). They are mostly privately owned by pharmacist individuals, partnerships, or in some states pharmacist controlled companies. Community pharmacies provide a range of health related needs such as provision of prescription medicines, non-prescription medications, specialised health related goods, as well as other products. Most community pharmacy revenue is earned from the sale of non-prescription medicines and government subsidised prescriptions (PGA, 2009a; PGA, 2009b).

During 2007 to 2010, the Australian government significantly reviewed all elements of the nation’s health care system. The resultant reports recommend sweeping changes to all tiers of the health care system (Department of Health and Aging, 2009a, 2009b; NHHRC, 2009). The need for reforms is largely driven by the necessity for the nation to respond to a predicted sharp rise in demand for health care goods and services, which will continue to rise over the coming 40 years, greatly increasing publically funded health costs. The progressive reform of the Australian health care system is set to alter profoundly the dynamic flows between all tiers of the health care system as government searches for ever increasing efficiencies. The connecting theme in all reforms and reviews is the aging Australian population and a rise in the prevalence of chronic illness and the costs of treatments ((Department of Treasury, 2010; PGA, 2010, p.13).

The past five years have seen significant changes to the government’s prescription subsidy scheme, the Pharmaceutical Benefits Scheme (PBS). Nationally negotiated
Community Pharmacy Agreements (CPA’s) between the Commonwealth Government and the Pharmacy Guild of Australia (PGA) fix prescription remuneration arrangements through the PBS as well as funding for particular pharmacy services (Department of Health and Aging, 2010). The PBS substantially underpins the financial viability of most community pharmacies (PGA, 2010). Major reforms to the PBS initiated in 2007 (Australian Federal Parliament, 2007), are predicted to reduce average community pharmacy net profit by $50,000 per year by 2015 (PGA, 2009b).

Also, growing inter-pharmacy competition and competition from other retailers is squeezing profits in this sector. Over the past 10 years, a significant proportion of community pharmacies have developed and grown business models based on highly competitive retail pricing. The low-price business model, which also requires low business operating costs, has grown rapidly in Australia, similar to other industry sectors.

The coalescence of a multitude of challenges such as government prescription pricing reform, a dramatically increasing competitive environment and generally negative national and world economic factors is described by some as “the perfect storm” (Annabel, 2011, p. 65). Evidence that many in the community pharmacy sector are struggling to adapt is emerging through reports of pharmacy bankruptcies escalating to unprecedented levels (Brooker, 2011). Similar pharmacy industry pressures are evident in comparable nations and the need for constructive responses to ensure continued professional and commercial viability, is echoed in New Zealand (Pharmacy Sector Action Group, 2004), the United Kingdom (Great Britain Department of Health, 2008), and Canada (Canadian Pharmacists Association, 2008). The recurring themes in the reviews are centred on community pharmacy’s need to adapt to align with emerging health system needs (PGA, 2010).

Pharmacy organisational and management research
The Australian community pharmacy industry is in a rapid state of evolution (Feletto, Wilson, Roberts and Benrimoj, 2010b). There is concern that many owners and managers of community pharmacies lack the necessary managerial and leadership expertise to address the emerging threats and grow the opportunities and strengths (Annabel, 2007; Benrimoj, Feletto and Wilson, 2010; Holland and Nimmo, 1999; Roberts, 2007). Various investigations have been undertaken to identify the barriers and facilitators to the implementation of new services at the level of the individual practitioner-manager (Gastelurrutia et al., 2009; Roberts et al., 2008; Roberts et al., 2006b; Venkataraman, Madhavan and Bone, 1997) and at the organisational level (Berbatis et al., 2007; Roberts et al., 2004; Roberts et al., 2006a; Scahill, Carswell and Harrison, 2010). Despite a significant advance in the understanding of what needs to be done to manage within the changing business environment, community pharmacy has been slow to embrace this change (PSA, 2010).

Research drawing on organisational flexibility theory (Volberda, 1992; Volberda, 1996) sought to identify and describe the organisational capacity of pharmacy business models (Feletto et al., 2010b) and to identify capacity needs that are important for the implementation of new services as a means of strategic differentiation (Feletto, Wilson, Roberts and Benrimoj, 2010a). The analysis by Feletto et al (2010a) highlights gaps in both the organisational design and managerial capability dimensions. Key concepts of managerial deficit include planning, performance setting, service awareness and human resource management to facilitate staff capability and capacity building.

The exploratory research reported in this paper, and our continuing study is centred on the manager, and managerial capability. However, rather than looking at gaps in managerial capacity or an identification of needs, the research approach seeks to explore and describe managerial capability as exhibited by individual pharmacy managers who are considered exemplars of capable management, in the current dynamic environment. Such exploration
within the community pharmacy SME has not been previously undertaken. The purpose of our investigation is to improve understanding of managerial capability as it relates to effective community pharmacy management in times of change, and to contribute insights to an understanding of the capabilities of effective managers in dynamic environments.

**Methodology and Method**

This study explores the views of people identified as capable community pharmacy managers. A qualitative, interpretive approach was therefore considered most suitable. In-depth semi-structured interviews were undertaken as the major method of data collection. This approach permitted the emergence of the psychosocial processes of the perceptions of context and experiences that people have concerning the phenomenon (Morse, 2001) of management in community pharmacy. Collection of other forms of relevant data such as observations, documents, photographs, industry media reports, was also undertaken. Ethical permission for this study was granted by the appropriate human research ethics committee prior to the commencement of sampling.

**Sample selection**

A purposive sample of managers, identified as outstanding community pharmacy managers, was chosen on the basis of specified criteria. The criteria included having at least five years on-the-job experience of managing one or more community pharmacies, and having recognition within the community pharmacy industry as being highly effective managers. To establish the latter criteria, the views of leaders of industry peak body organisations and relevant national authorities concerning pharmacy management were sought. Participant selection was also guided by the known successful performance of the subjects’ pharmacies over recent years including the present. For this pilot study, five participants were selected.

**Interview data collection**

In-depth interviewing used open ended questions, in a flexible questioning process, avoiding excessive structure (McCann and Clark, 2003). As suggested by Morse (2001, p. 4), “in order to identify a trajectory, data should be temporal, similar to stories with a beginning, middle and end”. A questioning and conversation style was therefore undertaken to produce a data form where the process and its structure is readily identified (Morse, 2001).

The interview question guide was directed toward the research question: How can we understand managerial capability in relation to effective community pharmacy management? This study was broken down into three narrower and integrated themes of inquiry, to guide questioning. The three themes which framed the interview questioning, were to explore and describe:

1. Perceptions of the most relevant business-environment influences driving change;
2. Perceptions of the most important business implications arising from these influences;
3. How the managers approach the management, including thought and action, in responding to the implications.

**Interview text analysis**

The five interviews, each between 60 and 90 minutes, were undertaken at times and locations determined by each participant. The interviews were recorded using a digital audio recorder with participant permission. The researcher also took notes at the time of the interview. Recordings were transcribed verbatim into a word-document following each interview, with the researcher’s notes taking the form of a memo. Each contributor has been
identified by nomenclature securing anonymity. Every transcript was read and re-read in
whole, before more detailed analysis commenced.

Thematic analysis was the analytic approach suggested by Corbin and Strauss (2008). The analytic process began with the coding process of generating, developing and verifying concepts within the text of each interview by closely reading the texts, line by line. Concepts can be considered as the “anchor points in interpretation of findings” (Blumer, 1969, p. 26), created by raising raw data to a conceptual level. The underlying analytic process can be described as a progressive inductive-deductive process, where conceptual derivation occurs in integration with a deductive process, which suggests links and relationships between concepts.

A crucial procedure throughout the coding process was to engage in constant comparison of related data segments, within and between interview texts, at each level of concept development (Schreiber, 2001). This method facilitated the ability of the analysts to locate patterns linking incidents within a concept. From this process, the rich properties and dimensions of each concept emerged (Liamputtong, 2010).

Memos were also developed within the coding process. Liamputtong (2010, p. 119) describes these as “notes to self” to enable the researcher to look more deeply into the categories and properties which develop. Different types of memos were used such as code notes containing ideas about categories, theoretical notes which were more detailed to progress deeper understanding, and operational notes which kept a record of the current and emerging research process (Corbin and Strauss, 2008; Strauss and Corbin, 1998).

Concepts can occupy a range of levels in a theoretical conceptual hierarchy. Concepts were therefore ordered in the analysis through a process of conceptual ordering (Corbin and Strauss 2008, p. 54-55). Concepts at the higher levels of abstraction, which ‘captured’ the meanings of one to several other lower order concepts were relabelled as categories, also known as themes. Using fundamental guiding questions throughout the analysis, such as ‘what is going on here?’, ‘what does it mean?’, ‘how does it happen?’ and ‘why is it happening?’, (Strauss and Corbin, 1990; 1998), the emerging concepts and categories were systematically interrelated to approach a preliminary understanding of the meaning of this early data, as a whole.
Results
The data analysis revealed three major categories within the complete data set, shown in Table 1.

Table 1. Identified concepts and categories from interview text analyses.

<table>
<thead>
<tr>
<th>Inquiry theme</th>
<th>Concepts</th>
<th>Category</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business-environment influences (context)</td>
<td>1. Decreasing gross margins; 2. Changing customer perceptions; 3. Increased operating costs.</td>
<td>1. Experiencing complexity and uncertainty</td>
<td>Concepts which describe the perceived community pharmacy business context.</td>
</tr>
<tr>
<td>Implications flowing from influences</td>
<td>4. Need for competitive differentiation; 5. Need for satisfaction of personal meaning; 6. Engaging customers; 7. Engaging staff; 8. Improving operational efficiencies.</td>
<td>2. Repositioning (business) to attain greater relevance to customers</td>
<td>Concepts which describe perceived key implications which result from the community pharmacy business context and must be taken into account to preserve business viability and to grow profitability.</td>
</tr>
<tr>
<td>Managerial approach, thought and action</td>
<td>9. Experimenting; 10. Learning continuously.</td>
<td>3. Learning</td>
<td>Concepts which describe reported managerial approaches, thought and actions, to respond to the implications of business context.</td>
</tr>
</tbody>
</table>

Category1. Experiencing complexity and uncertainty
The category ‘experiencing complexity and uncertainty’ emerged from participant descriptions of their perception of a range of specific but dynamic threats, and describes the current business context. These included both regulatory and competitive pressures driving achievable gross profit margins downward in almost all categories of traditional pharmacy goods. Participants contrasted the trend of shrinking gross margins with other adverse changes to the operating environment such as increasing labour and occupancy costs and less security of tenure from landlords.

However, these adverse business environment trends were seen as more easily comprehensible and predictable to the participants than their major concern about ‘changing customer perceptions’. This concept reflects participants’ experiences that customers perceive a preference for a greater variety of outlets, including outlets other than pharmacy to satisfy their health-related wants and needs. Central to this perception is that low prices should be a feature of their purchasing experience. The participants indicated that these perception changes are caused mainly by competition from the discount-pharmacy business model, supermarkets and the internet.

Manager-A reflected that: “…perhaps we were a bit slow off the mark…in recognising just how significant the impact would be on the Australian publics’ perception of pharmacy, and the movement towards discounters”. A statement capturing the sentiment of all participants is represented in the statement: “What’s difficult is changing a perception of what people think of your business” (Manager-C). The relationships between decreasing gross profit margins, changing customer perception, and adverse operating conditions to produce the complex and uncertain business context is represented diagrammatically in Figure 1.
Category 2. Repositioning to attain greater relevance to customers

In relation to what implications flow from the complex context, the concept ‘engaging customers’ was by far the most densely constituted concept revealed by the analysis process. Thought was given as to whether this concept should be raised to category-status. However, it was clear that the purpose of such focus was to do with ‘repositioning (the business) to attain greater relevance to customers’, so as to maintain and grow customer numbers and preserve business viability.

Participants used different terms and phrases such as “(being) involved with patients”, “engaging actively”, and “meeting and exceeding (customer) expectations” to express their meaning of the concept we have labelled ‘engaging customers’. The motivation for such focus arises partly from a strong presumption by participants that ‘engaging customers’ will be an effective response to the perceived threat of ‘changing customer perceptions’. It is presumed that ‘engaging customers’ will secure and hopefully grow customer loyalty, thus securing business financial viability.

We represent this motivation for ‘engaging customers’ as ‘need for competitive differentiation’, in Figure 2 below. Typical of the comments from all managers is: “…it’s very hard to be competitive. You’ve got to look at how you can add to the customer’s experience…you know, look at a complete health solution rather than just a product at a price” (Manager-E). This reflects a purpose of securing competitive differentiation and growing customer numbers and sales.

Figure 1. Conceptual representation of perceived community pharmacy business context.

Figure 2. Conceptual representation of needs and managerial processes enacted as implications of perceived business context.
The concept ‘engaging staff’ was another densely constituted concept in all data sets. Managers talked about engaging staff through terms such as “giving responsibility”, (Manager-E), “empowerment” (Manager-B), and “delegating” (Manager-A). All managers referred to processes such as regular, open and honest communication with staff, ongoing (personal) awareness about staff attitudes, being sensitive to employee perceptions, and need to give and receive feedback. It became clear that the purpose of such engagement went beyond satisfying operational task management and centred more on a unification of responsibility, reflected in the comment, (referring to a particular customer engagement program): “So I think gaining the ownership of the program from senior staff from day one is something that I think is critical” (Manager-A). Overall we see this as a repositioning process, in that engaging staff is undertaken to achieve movement in collective thought and action toward a mutually acknowledged future, centred on increased customer engagement.

However, on closer examination of each interview text separately and also taken together, it became clear that another motive to engage customers is important to these managers. In responding to conversation delving into what their pharmacy businesses meant to them, the participants revealed that being of genuine benefit to individual customers, in ways that are meaningful from the customer’s viewpoint was an important force. For example, Manager-C, when asked what he was trying to achieve in the pharmacy responded: “Make people feel better. And if you make people feel better, the profits will come”. Manager-B responded to the same type of question the following way: “…it’s about how…myself personally, as a competent pharmacist, can communicate with the consumer and how they benefit from what I tell them”. Manager-E recounted a story about one of his employees who assisted a customer with a complex health problem related to sleep apnoea. Manager-E related: “…this person (customer) came in and said, you’ve actually saved my life…ahm, that’s the sort of level that’s quite… that’s very satisfying”. These statements reveal a deeper motivation, beyond responsiveness to circumstantial business environment effects, reflecting a more central purpose or meaning. We represent this as the concept ‘need for satisfaction of personal meaning’, shown in Figure 2.

The final concept in this category, ‘improving operational efficiencies’, was much less densely referenced in the interview analyses. However every participant referred to the need to improve operational efficiencies as an implication of the declining profitability trend. A typical statement is: “…the design of dispensaries can certainly change significantly to increase efficiencies whether that’s through robotics or better shelving systems and things like that” (Manager-A).

One participant, Manager-D, was more highly focussed on detailed analysis of possible efficiency improvements, particularly in the prescription dispensing production area. This manager had undertaken dispensing process experimentation to generate data informing how efficiency gains could be best achieved, concluding: “You got to know (that) the numbers are where the gold is and go and chase it”. All managers indicated that the purpose of seeking to lower operating costs through efficiency improvements was to facilitate reconfiguration of their business offer. This was stated most clearly by Manager-D: “The prescription will be to review all systems and streamline the systems to get more efficiencies and to get more pharmacists into the practices so that they can deliver professional services…”.

Category 3. Learning

Discussions surrounding the nature of managerial approach, thought and action revealed integrated concepts such as experimenting, and (personal) continuous learning. Analysis revealed that these concepts were directed towards the concept of ‘learning’, which we have elevated to category status represented in Figure 3, below. Central to the ‘learning’
category, is the concept of ‘experimenting’. All participants were engaged in experimentation or trial and error methods of some type to try to improve performance clarity around new business and efficiency approaches and customer service methods. Our concept of ‘experimenting’ includes participant descriptions of imitation, improvisation, trial and error learning and experimentation which are all regarded as learning types (Miner, Bassoff and Moorman, 2001).

Participants described activities involving trialling new roles for staff for increasing customer consultation opportunity (Manager-A and Manager-B), experimental implementation of new forms of customer contact and follow-up, for example through mobile telephone Short Message Services (Manager-B and Manager-C), and more formalised experimentation on work flow efficiency models (Manager-D). Manager-E was most advanced in continuously using several learning-by-doing methods, over a number of years, to trial changes to key pharmacy stock categories, to try new service-based categories and to refine staff mix and duties.

The other concept in the ‘learning’ category, ‘continuously learning’, refers more specifically to the personal learning behaviours and outcomes of each manager. All participants regularly grounded their interview responses within descriptions of their previous and ongoing learning experiences. This revealed the diverse ways that the managers engaged in refreshing and renewing their world view in their day to day life, but more poignantly demonstrated a continuity of personal learning and a future focus.

The diversity of learning behaviours appeared to be commonly motivated by a natural and ongoing curiosity. When Manager-A was asked to reflect on how he learned to manage the way he had described, his response was: “Um, I think it’s just continually, ah, searching for answers to things.” In responding to a similar question, Manager-C described several occasions where he had implemented ideas that were stimulated by different personal service experiences, unrelated to pharmacy. When asked to reflect on his sources for developing his management methods, he responded: “I think just daily life.” In contrast, Manager-E referred to his continuous relationship with specialist consultant advisors as a major source of ideas as well as a sounding board for his own thoughts. Manager-D was the most methodical in his approach to personal learning, continuously utilising trial and error methods of testing personal ideas, and conducting simple experiments to generate data which proved or disproved a hunch.
Discussion

All interview participants are seeking to reposition their business offers and activities so as to attain an increasing relevance to their current and future customers, as a means of reducing the profit-reducing impacts resulting from the changing business environment. They seek to do this by redesigning and reconfiguring the ways in which they serve their customers, so as to achieve more meaningful customer relationships, via a range of engagement-intensive offers and methods. Our focus in this paper is not so much on what managers are doing or finding patterns in the choices that they make, but is more upon how capable management is undertaken in an environment of unprecedented change.

In revealing their strategic analysis and plans, the descriptions of how participants approached management, including thoughts and actions was our main concern. We use the literature to conceptually develop our exploratory findings and we tentatively propose a preliminary conceptual framework, grounded in the literature, to explain our initial concepts and to guide the continuation of this research inquiry. The category ‘learning’ presents a useful starting point for inquiry into ‘what’s going on here?’.

Learning continuously

A dominant view is that knowledge lies at the centre of the generation and maintenance of competitive advantage (Grant, 1996), particularly in the knowledge intensive firm (Kogut and Zander, 1992), and as such ‘learning’ at both the individual and organisational levels is critical (Senge, 2006; Starbuck, 1992). The reported concept ‘learning continuously’, included in our category ‘learning’ (Figure 3), refers to the observation that all participants reported both strong and consistent personal learning behaviours as part of their managerial routines. Participants had different approaches to how they engaged their learning processes as reported above, however the behaviours seemed to be regarded as a normal part of what they do, driven by a seemingly natural and continuous curiosity. Initiated by this curiosity, learning processes were engaged that appeared to have the purpose of continually making sense of both the environment and consequences of actions.

Curiosity, or having a naturally curious nature, is suggested as an important state of being for the beginning of the learning and knowledge gaining process. Akin (1987, p.45), in explicating varieties of managerial learning, through the learning experiences of sixty managers described as ‘seasoned veterans’, noted that the learning processes commenced invariably with one or both of two conditions, “…which seemed to dispose the managers to treat situations in terms of learning something…” The first of these conditions is termed ‘the need to know’ which Akin reports “…as rather like a thirst or a hunger, gnawing at them (the managers), sometimes dominating their attention until satisfied” (p.45).

Pursuit of ‘the need to know’ is inevitably integrated with the enactment of learning processes (Akin, 1987). This observation is consistent with our analysis of the interview data, represented in the concept ‘learning continuously’. Participants demonstrated a hunger or curiosity for knowledge which was used to make sense of the dynamic environment and to provide information to support managerial interventions. We demonstrate this suggested linkage between ‘the need to know’ and ‘learning continuously’ in the partial and tentative interpretation shown in diagrammatic form in Figure 4.
Akin’s pre-learning condition ‘the need to know’, also appears related to the process of ‘sensemaking’ described by Weick et al (2005), in that both processes are integrated in the learning process. We suggest that the process of ‘sensemaking’ as described by Weick et al, provides a useful framework to interpret our data, which we develop in later sections of this discussion. According to Weick et al (2005, p. 409), “[S]ensemaking involves the ongoing retrospective development of plausible images that rationalize what people are doing”. Sensemaking is a central process because it results in the ability to construct meanings which are important to inform prospective actions and also to engender security of individual and organisational identity (Weick, Sutcliffe and Obstfeld, 2005), (Figure 4). Sensemaking acts as a learning process which generates adjustments to routines (Huzzard, 2004).

Weick et al suggest that sensemaking is instigated when an expectation of continuity is breached, that is, where the current state of the world is perceived to be different from the expected state of the world. Similarly, Akin (1987) suggests that ‘the need to know’ is associated with experiences such as encountering poor practice, problems that require solutions and questions that beg answers. Akin’s more explicit triggers appear quite consistent with the instigator described by Weick et al as a breach of expected continuity.

In Figure 4, we interpret our category ‘experiencing complex and uncertain business context’ as consistent with the concept ‘breach of expected continuity’. As suggested by the literature and supported by our findings, this breach instigates ‘the need to know’ and the learning process of ‘sensemaking’ which together constitute our concept ‘learning continuously’. Neither the literature nor our data allows us to clearly separate the concepts ‘the need to know’ and ‘sensemaking’ in Figure 4, and we leave them coupled at this stage.

Perhaps Akin’s condition ‘the need to know’ and the sensemaking process of Weick et al are similar phenomena, but viewed from different perspectives. Or perhaps the natural curiosity of ‘the need to know’ is a sensemaking-precursor and a managerial capability in
itself, which ensures that the sensemaking process is continuously in action. Our continuing research will seek to clarify our understanding of these processes and how they relate.

**Experimenting**

As already described, the concept ‘experimenting’ also within the category ‘learning’ is closely related to our concept ‘learning continuously’ (Figure 3). Experimentation is an effective means of connecting the abstract with the concrete, where the experimentation process commences with a presumed understanding and ends with an updating of that understanding (Weick et al., 2005). Experimentation is regarded as an effective methodology for, and path towards learning (Barrett, 1998; Weick, 1995), and when experimentation leads to a change in practice, the manager’s knowing is altered (Higgins and Aspinall, 2011).

This notion resonates with the ideas of Senge (2006) who suggests that experimentation and the feedback it creates is a foundation of ‘generative learning’ which sets a learning organisation apart from others. The generative learning process enhances managerial creative capacity and involves linking existing knowledge about a subject with emerging ideas, thus potentially shifting a manager’s knowing and current understandings (McGill, Slocum and Lei, 1992). We believe that the concept of ‘generative learning’ is a richer and more defined concept than our original category ‘learning’, and have amended the theoretical representation to reflect this, in the further developed framework shown in Figure 5. Because participants appear to use experimenting as a pathway to develop newly plausible answers, we see the concept ‘experimenting’ interacting with the ‘sensemaking; need to know’ and ‘learning continuously’ concepts within our preliminary conceptual framework shown in Figure 5.

**Figure 5. Preliminary conceptual framework integrating categories and concepts from analysis with a framework and theory from the literature.**
**Engaging staff**

When managers attempt to implement processes which progress organisational transformation it is well known that resistance can arise within employee groups due to perceived threats to pertinent identities and concepts of self (Gioia, Schultz and Corley, 2000; Hodgkinson and Healey, 2011). Solutions to loosen such identity inertia include making efforts to build a common group identity (Hogg and Terry, 2000), an identity which is also flexible and less resistant to organisational adaptation (Gioia et al., 2000). To accomplish this, Hodgkinson et al (2011, p. 1510) suggest that creating an “emotionally secure psychological environment” is an important practical requirement to assist employee identity transition during times of organisational change.

In reporting our development of the concept ‘engaging staff’ in the results section, we explained that the activities captured in this concept had a purpose centred on a unification of responsibility to achieve a bringing-together of (staff) collective thought and action toward a mutually acknowledged future. We view this as managerial behaviour supporting employee identity transition and consistent with the literature described above. The participants also revealed processes such as regular, open and honest communication with staff, and a range of other behaviours sensitive to employee perceptions. We suggest that these communication methods are directed toward the creation of an “emotionally secure psychological environment” similar to that described by Hodgkinson et al (2011).

We interpret the unification of staff thought and action and securing the psychological environment as assisting in the transformative process, a process directed at repositioning the businesses through greater customer engagement (Figure 5). The concept of ‘engaging staff’ in supporting employee identity transition is reflected in the indirect link from this concept to ‘meaning construction’ in Figure 5 through the concept ‘engaging customers’ which we address next. These potential linkages deserve further scrutiny in the continuation of this study.

**Engaging customers and the need to satisfy personal meaning**

‘Changing customer perceptions’ (to favour competitors) was the most important concept identified by participants when reporting their perceptions of the dynamic business environment. This concept is included in the category ‘experiencing complex and uncertain business context’ (Figure 1). In response, participants identified increased customer engagement as a process-mechanism to reposition their businesses to attain greater relevance to customers, and for the purpose of creating a competitive advantage over competitors (Figure 2).

With the exception of Manager-E, whether greater customer engagement as a strategic response is a true answer to the threat of ‘changing customer perceptions’, remained unconfirmed by participants. While trial and error methods and experimentation processes were being undertaken by all participants to gain feedback on this strategic approach, the idea that greater customer engagement would result in increased competitive advantage was more an assumption than known fact within their business context. We therefore surmise that the appeal of this strategy may initially have more to do with a congruency with personal meaning structures and personal/professional identity, than correct choice of action, at this stage of their strategic journey.

This suggestion is supported by our analysis which revealed that a motivation to pursue greater customer engagement was a ‘need for satisfaction of personal meaning’ (Figure 2). Personal meaning is critical in that both identity, (who we think we are) and action are informed and constituted by meaning (Mills, 2003; Weick et al., 2005), and when actions are undertaken, they are usually directed firstly toward preservation of existing meaning structures, as a means of stabilising existing identity (Sandberg and Targama, 2007). All
participants in our pilot study revealed a sense of meaning centred on being genuinely helpful to their customers, aptly expressed by Manager-C who, when asked what he was trying to achieve, responded: “[M]ake people feel better…”.

Weick et al (2005, p. 410) suggest that people who act, do so on the basis of presumptions about the future based on a plausible story, congruent with their sense of identity, that answers the question, “now what should I do?”. Informed by our analysis and the literature, we tentatively suggest that the strategy to pursue greater customer engagement is significantly driven by the participants’ ‘need to satisfy personal meaning’. This need leads to an interpretive process, not a rational choosing process from a range of possible options. Put succinctly, by Weick et al (p409): “[W]hen action is the central focus, interpretation, not choice, is the core phenomenon”.

Referring to Figure 5, we suggest that the concept ‘need to satisfy personal meaning’ both drives and interacts with the concept ‘engaging customers’ both directly (through personal participation) and indirectly, through the agency of staff, enacted via the manager ‘engaging staff’. As discussed earlier, ‘engaging staff” is likely to also be an identity stabilising routine for the staff group as a whole. We interpret the concept ‘improving operational efficiencies’ as an administrative support process (Bititci et al., 2011), required to enable business repositioning. Relevant information on efficiency processes is shared by managers in the ‘engaging staff” process.

Ultimately, the concepts shown in the top right hand quadrant of Figure 5 flow to and from the concept labelled ‘meaning construction’ in the preliminary conceptual framework. Consistent with the literature (Akin, 1987; Sandberg and Targama, 2007; Weick et al., 2005), we see ‘meaning construction’ as an influential motivator and constitutor of action, in this case, the category ‘repositioning toward relevance’ which is strategic in nature.

Aligned with the Weick et al (1995, p. 414) framework of sensemaking, the preliminary conceptual framework (Figure 5), suggests that when changes in perception of the environment dislodge a sense of security in identity, or strategic responses are perceived as less plausible as a means of maintaining security and viability, the sense of ‘breach of expected continuity’ arises again. We show this dynamic cycle (Figure 5), through the return arrow from the far right of the preliminary conceptual framework from the concepts of ‘secure identity’ and ‘plausibility’, back to ‘breach of continuity’, completing the preliminary framework. The framework suggests that the insecurity that arises from recognising ‘changing customer perceptions’, is in part experienced as a threat to identity and thus a ‘breach in continuity’, and is a vital contributor to the processes cycling back to ‘sensemaking; need to know’ processes. A manager’s ability to recognise ‘changing customer perceptions’ may prove to be an informative direction of conceptual inquiry in future interviews in this project.

Conclusions

This pilot study was undertaken to inform and progress a larger exploratory study concerned with achieving a better understanding of managerial capability in SME’s which are experiencing rapid business environmental changes. The aim of this pilot study was to undertake a preliminary analysis of the concepts and categories arising from interviews, which advance a preliminary understanding of managerial capability within the specified context. The concepts and framework discussed in this paper contribute to the larger study by giving theoretical insight and direction through emphasis of potentially fertile concepts, processes, and their interrelationships.

A preliminary conceptual framework, grounded in relevant literature, is presented as an interpretation of the pilot study research findings. A ‘sensemaking’ framework put forward by Weick et al (2005) was seen as a most useful framework through which to
interpret the data at this stage (Figure 5). Conceptual development and analysis revealed several managerial processes and process interactions which indicate how the participants continue to make sense of, and learn within their changing business environment.

Generative learning appears to be initiated and sustained through a natural tendency to ‘need to know’, through ‘sensemaking’ and ‘experimenting’, all of which are framed by the participants’ personal meaning structures of the moment. The framework suggests that sensemaking processes continuously deliver an unfolding sense of meaningful plausibility which informs the participants’ strategic and managerial interpretations and actions. Interpreting the preliminary framework dynamically, we suggest that as the environmental signals of change continue to emerge, the participants struggle to find meaningful responses. Their search then settles albeit temporarily for what seems plausible, meaningful and relatively secure for the time being, before moving in increments (for example, through ‘experimenting’), to the next stage of what makes sense. These insights, will guide our further interview inquiry and analysis (Charmaz, 2006; Corbin and Strauss, 2008).

Potential Theoretical Directions
Further study may illuminate other potential theoretical linkages. For example, the ‘sensemaking’ and ‘need to know’ concepts may reflect an entrepreneurial nature within the group of top managers. According to Kirzner (1973) entrepreneurs can have differential access to existing information compared to non-entrepreneurs. Citing Kirzner, Teece (2007, p.1322) suggests that “the entrepreneurial function recognises any disequilibrium and takes advantage of it.” The function of recognising disequilibrium seems consistent with the concept of recognising ‘breach of expected continuity’ in our framework. The preliminary conceptual framework presented in this paper may lead to a better understanding of how managers attempt to recognise and take advantage of such disequilibrium.

The framework tentatively suggests mechanisms for how the sample of managers incrementally evolve their organisations to meet what Teece (1997, p. 1325) refers to as a changing business “ecosystem”. Our continuing research will explore whether the preliminary conceptual framework holds up as the sample of interviewed participants grows. Of particular interest is the concept ‘the need to know’ and whether, or how, this seemingly natural curiosity brings dynamism to the framework. Also of interest is whether the framework remains viable if managers have a sense of meaning concerning their work, that differs from the participants in the pilot sample.

The experimentation process can also be a means of shortening the lag time between acting, and achieving a position of changed understanding of the environment (Weick et al., 2005). This outcome is potentially very helpful when managers are seeking to respond quickly to unstable and changing environments. The dynamic capability literature suggests that experimentation, as a vital learning process, enables faster and more effective task performance and identification of new opportunities (Teece et al., 1997). We see interesting theoretical possibilities in the potential linkages between our concept ‘experimenting’ and the concepts of ‘generative learning’ (Senge, 2006), ‘sensemaking’ (Weick et al., 2005) and the role of the manager in dynamic capability theory (Helfat et al, 2007; Teece, 2007) as we continue this research project.

Limitations
The sample size, particular industry context and research methodology do not permit generalisation of the findings to other situations or contexts, but the findings can act as a guide. While we have chosen a sample of participants who are considered exemplars of capable management in a changing business environment, it cannot be implied that the concepts or framework we have put forward are distinguishing features of ‘capable
managers’ compared with any other type of manager. The findings discussed in this paper can only be interpreted as way-point guides to the continuing research which seeks to build description and theory of capable management, within the Australian community pharmacy industry context.

References


