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Title: Exploring the complexity of managerial capability: Insights from the competence-capability debate.

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Title: Exploring the complexity of managerial capability: Insights from the competence-capability debate.

Abstract:
This paper explores the notion of managerial capability. The aim of this paper is three-fold. Firstly, we have utilised the literature to clarify an understanding and conceptualisation of ‘capability’ contrasted with the often related term ‘competence’, at the level of the individual. Then, with these understandings and conceptualisations in mind, we explain why managerial capability is worthy of further theoretical exploration and how best to approach that exploration with the aim of generating useful theory about the phenomenon. Finally, we discuss selected findings of a pilot study of top managers from the Australian health care sector. The pilot study illustrates fruitful research methodology and directions regarding theory development of the concept ‘managerial capability’ in this limited context. This paper serves as a clarifying departure point for a larger exploratory study centred on the development of theory concerning managerial capability of SME managers in the Australian health care sector.

Keywords: Managerial capability, competence, methodology, curiosity

Word Count: 6,800
Introduction

The environment in which small to medium sized enterprises (SME’s) in Australia operate has always been characterised by change and uncertainty. The dawn of the 21st century has seen rapid rise in the rate of change and scale of uncertainty. This phenomena is linked to the expansion and creative use of the internet by providers and consumers (Greenblat, 2011), an environment of accelerating competition and the consequences flowing from the changing nature of national demography (Department of Treasury, 2010). To continue to deliver effective business performance in this constantly turbulent environment requires SME owners to pay close attention to the views of current and future customers, and adapt responsively in developing their businesses toward relevance to these customers (Choueke and Armstrong, 1998). Effective and appropriate actions and processes in this emerging environment are usually enacted by capable managers (Felin and Foss, 2005).

Understanding the concept ‘capability’ and what it means to be ‘capable’ is not a straightforward task. A range of conceptual understandings of the terms ‘capability’ and ‘capable’ are included and used in burgeoning literatures: higher education, vocational training, defence, workplace learning, management, management learning, organisational studies and strategy literatures, among others. The concept is applied at the level of the individual through to that of nations. The terms capability and capable also bring with them a flotilla of related concepts such as competence and capacity and derivatives such as capabilities, competent, competency, competencies and capacities.

It is not the intention of this paper to review the entire range of this literature, a task well beyond the space limitations afforded here. This aim of this paper is three-fold. In the first part, Part 1, we will use appropriate and meaningful literature to proffer an understanding and conceptualisation of ‘capability’ contrasted with the often related term ‘competence’, at the level of the individual. Then in Part 2, with these understandings and conceptualisations in mind, we will explain why capability is worthy of further exploration and how best to approach that exploration with the aim of generating useful theory about the phenomenon. Finally in Part 3, we will discuss selected findings of a pilot study which illustrates fruitful research methodology and directions regarding theory development of the concept ‘managerial capability’. This final part will end with a brief discussion on the direction and intentions of continuing research.

We commence with a brief overview of how the concepts ‘competence’ and ‘capability’ are understood from different perspectives in the literature. We conclude Part 1 by suggesting that it is more important and interesting to focus on how to approach the understanding of the concepts than it is to create strict definitional separation between them.

Part 1. Competence and Capability

It is acknowledged that a fundamental managerial challenge is to have suitably competent and capable managers in place so as to enable continuous organisational viability (Sandberg, 2000). What is meant by the terms ‘competent’ and ‘capable’ is far from settled in a voluminous literature across many disciplines. Several literature reviews lay bare the conceptual ambiguities of the terms (Garavan and McGuire, 2001, Le Deist and Winterton, 2005, Tarrant, 2000). As suggested in the review by Garavan and McGuire (2001, p. 148), “…definitions range from narrow specific descriptions to very broad ones that in some ways can be viewed as tautological; capabilities are defined in terms of competence, and competence is then defined in terms of capability.” The philosophical assumptions which underpin various notions of competence or capability are seldom made clear (Garavan and McGuire, 2001, Sandberg, 2000). We set out below a brief overview of different conceptual
perspectives of the concepts, beginning first with the concept of ‘competence’ followed by the concept ‘capability’.

1.1 Competence

Being able to influence human action in a desirable way so as to better control the outcomes that are produced has been the main aim of attempts to identify the constituents of competence (Horton, 2000). The review by Garavan and McGuire (2001) suggests that competence can be defined from more than one perspective. Competence can be viewed as consisting of competencies, which in turn are seen as individual work-relevant characteristics possessed by people. Alternatively, competence can be understood as a holistic concept, or ‘way of being’ for an individual, where competence is constituted by the meaning work takes on for workers in their experience of it (Sandberg, 2000).

1.1.1 The scientific rationalistic perspective of competence

This perspective regards competence as an attribute-based phenomenon, where attributes such as knowledge, skills and abilities (KSA’s) are considered to be the main elements which produce competence. The key assumption underpinning this perspective is that human action can be explained and thus controlled by some combination of these attributes in any given context. The idea that competence can be assessed, measured and judged, is also embedded in this perspective. Competence is thus seen to be constituted by some combination of competencies (KSA’s), where competencies have been defined as ‘…individual and measurable skills demonstrated and assessed against agreed standards of competence’ (Cairns, 2000, p. 2).

The rationalistic perspective of competence has led to widespread development and implementation of competency frameworks which describe specific levels of achievement of KSA’s (competencies) that are necessary to meet or exceed prescribed competency standards. Competency standards are designed as the desired outcomes for a particular role or profession (Garavan and McGuire, 2001). In whatever way competency frameworks are used, the approach assumes that the prescribed competencies and the standards to which they are directed are devoid of context and can be achieved with a single meaning in a range of work activities and contexts (Sandberg, 2000).

A further assumption is that the link between KSA’s and the desired outcome (eg meeting a standard), is linear, according to the model: if you know (or are able to do) ‘this’, then you will produce ‘that’ as an outcome, every time. This is an audacious assumption when one considers the business management context with the ebb-and-flow of the business and the environment in which it operates. This contextual richness is further complicated by the moment-to-moment contexts at different scales as well as the dynamics of human behaviour and relationships.

Nonetheless, this construct of competence has served a useful purpose in that its reductionist approach lays bare the desired outcomes of a particular role or profession and the KSA’s known to contribute to achieving them. This provides potential for a clear and unified view of what is required and allows developmental dialogue. There have also been significant contributions in the literature suggesting that the dominant views of competence as constituted by KSA’s have serious limitations as a useful construct beyond a description of required outcomes (Antonacopoulou and FitzGerald, 1996, Dall'alba and Sandberg, 1996, Fraser and Greenhalgh, 2001, Ruth, 2006, Sandberg and Targama, 2007, Sandberg, 2000, Velde, 1999).

The most fundamental limitation of the rationalistic approach to defining competence is that the often fragmentary list of KSA’s is an indirect, and not direct, description of competence (Sandberg and Targama, 2007). It is suggested that KSA’s are more accurately described as ‘prerequisites’ for accomplishing the prescribed outcomes rather than a direct
description of competence (Sandberg and Targama, 2007, p. 57). Competence described this way does not demonstrate which of the KSA’s are actually used, how they are used or with what emphasis, in relation to accomplishing some aspect of work. As pointed out by Sandberg and Targama (2007, p. 57): “…two persons can possess identical attributes but perform the same task differently depending on which attributes they use and how they use them”. An alternative, interpretive approach for exploring competence has been suggested by a range of researchers and we expand on these below.

### 1.1.2 The interpretive perspective of competence

Studies utilising interpretive research to study competence in different work contexts, suggest that the way attributes are used in accomplishing work tasks are in fact situational and context dependent, such as in education, (Schön, 1983), nursing (Benner, 1994), and motor engineering (Sandberg, 2000). Schön (1983) observed a range of workers engaged in different disciplines and concluded that attributes used in performing their work are not separate from their experience of the work. The attributes used seemed to be internally related to the work through their way of framing the particular work situation.

Sandberg’s (2000) original observations of engine optimisers, and later studies (Sandberg and Targama, 2007), further developed this idea. Sandberg’s seminal study with workers in the motor engineering industry showed that differing levels of conception or understanding of work correlate with differing levels of competence in undertaking that work. The most central findings are that:

‘…competence is not primarily constituted by a specific set of attributes a person possesses. Instead, persons’ knowledge, skills and other attributes used in accomplishing the work are preceded by and based upon their understanding of the work.’ ‘…it is the workers’ ways of understanding their work that form, and organize their knowledge and skills into distinctive competence in their work performance.’ (Sandberg and Targama, 2007, p. 73, emphasis original).

Competence viewed this way means that the perceived work context is created or shaped by the individual, based on their particular understanding of the work or profession that they are engaged in. Different ways that individuals understand the work shapes the context from which KSA’s gain their specific meaning for their work performance. The specific meaning tacitly applied to KSA’s by the individual is also what gives priority to what KSA’s are maintained and developed in accomplishing the work (Sandberg, 2000). Competence is therefore understood as a holistic phenomenon where the person and their work performance are unified and irreducible, and the worker and their performance ‘…form one entity through the lived experience of work’ (Sandberg, 2000, p. 11).

A longitudinal study of medical students by Dall’alba (2002) found that a student’s understanding of medical practice creates differences in their approach to enacting treatment when they practice as doctors. Dall’alba suggests that competence is therefore framed around and constituted by the particular understanding the student/doctor has of what it means to be a doctor. The fundamental form of developing competence is then centred in changing understanding of work (Dall'alba, 2002, Sandberg and Targama, 2007).

To comprehend the critical importance of the relationship of the interpretive perspective of competence with the present and past contexts of work requires an explanation of the nature of the phenomenon of ‘understanding’. Sandberg and Targama (2007, p. 80-86) point to hermeneutic theory as one of the most comprehensive theories of how understanding operates. Hermeneutics refers to the process of ‘interpretation’, of making something understandable, from that which was unfamiliar or new. Citing Friedrich Ast (1778 – 1841) Sandberg and Targama (2007, p. 81) describe the notion of the ‘hermeneutic circle’:
‘...understanding something such as text means to grasp its inherent meaning structure in terms of its parts and whole.’ ...‘However, ...developing understanding of something does not involve adding new parts. For example, when reading a sentence we do not understand it by adding the words one by one. Instead we understand it by a simultaneous interaction between the words and the sentence as a whole. This is because the meaning of the words is achieved through their relationship to the whole sentence, and the meaning of the sentence is achieved with reference to the words that comprise it.’

Understanding is thus achieved via the circular relationship between parts and whole, together, the ‘hermeneutic circle’.

Further, citing Dilthey (1833 – 1911), Sandberg and Targama (2007, p. 81-82) suggest that while understanding is dynamically circular, it is also historical, in that a part of a hermeneutic circle is always defined by its history. Understanding incorporates the temporal dimension into the relationship between the person and the work, where historical understanding of work stipulates in advance how work will be interpreted next time it is encountered. It is this dynamic view of understanding which is the foundation of the interpretive perspective of competence, giving competence an enactment in the present, but with an orientation to the past.

1.1.3 Comparing and contrasting the rationalistic and interpretive perspectives

This synopsis of the different ways of viewing competence demonstrates both differences and similarities. (See Table 1, below). The approaches differ regarding where competence comes from, and therefore how it might be developed. The rationalistic perspective rests on the assumption that KSA’s constitute competence, independent of context, and that to change competence means to add more KSA’s of the right type to meet the prescribed demands of the work. The interpretive perspective suggests that while KSA’s and other attributes are vital to the concept of competence, their use is preceded by and based upon the person’s understanding of the work, and that understanding in-turn creates and shapes the perceived context (Sandberg and Targama, 2007). The interpretive perspective of competence suggests that to change competence requires an emphasis of changing the understanding that a worker has of the work, as a preference to adding more KSA’s.
Table 1. Contrasting perspectives of competence (Sandberg, 2000; Sandberg and Targama, 2007)

<table>
<thead>
<tr>
<th></th>
<th>Competence – Rationalistic perspective</th>
<th>Competence – Interpretive perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orientation</td>
<td>Enacted in the present based on specific KSA’s learned in the past</td>
<td>Enacted in the present based on understanding of work developed in the past;</td>
</tr>
<tr>
<td>Constituted and reconstituted by</td>
<td>Specific sets of KSA’s relevant to the work;</td>
<td>Ways of understanding the work;</td>
</tr>
<tr>
<td>Developed by</td>
<td>Adding specific KSA’s through prescribed learning;</td>
<td>Changing the way that the work is understood, which then alters the meanings afforded to internal KSA’s and then which KSA’s are maintained or developed;</td>
</tr>
<tr>
<td>Role of context</td>
<td>Context-independent</td>
<td>Context is created and shaped by a worker’s specific understanding of the work, which in turn gives meaning to internal KSA’s;</td>
</tr>
</tbody>
</table>

The rationalistic perspective of competence is rooted in the present (competent ability), with a past orientation (having learned and thus possess a present set of KSA’s). This notion of competence is also accompanied by static and non-contextualised meanings of change, improvement and response. The interpretive perspective of competence is also rooted in the present (competent ability), with a past orientation (having learned and thus having a present understanding of the work). The interpretive perspective of competence is deeply enmeshed with the individually perceived past and present context of the work. It is this crucial connection to context, shaped by an individual’s particular understanding of work, which is a major distinction when compared with the rationalistic perspective.

The similarities of the perspectives are that both the rationalistic and interpretive approaches highlight the importance of KSA’s to be able to accomplish competent work. A further similarity is that both approaches view the phenomenon of competence as being enacted in the present but with an orientation to the past. That is, however competence may be constituted, its meaning refers to what is able to be accomplished in the here-and-now, based upon learning which is situated in the past. Neither perspective explicitly includes the emerging and sometimes surprising nature of changing context into the meaning of competence. It is this latter point that forms one of the distinguishing features separating the concept of competence from the concept of capability, which will be discussed next.

1.2 From competence to capability – an education and training perspective

There is an emerging literature concerning the concept of capability, at the level of the individual (Gardner et al., 2007). This literature is mostly located in the education and training disciplines, and the concept of capability has been applied to inform evaluation methodologies for practice in a selection of professional occupations (Graves, 1993; Hase and Davis, 1999, Phelps et al., 2005). According to Hase and Davis (1999), the concept of ‘capability’ (at the level of the individual) emerged from the United Kingdom in the mid-1980’s. Capability and its potential advantages as a perspective were raised in response to the
The concept is concerned with the ability of individuals to enact appropriate and consistent performance (work or personal) while traversing through both familiar and unfamiliar contexts over time (Cairns, 1996, Cairns, 2000, Davis and Hase, 1999, Fraser and Greenhalgh, 2001, Hase et al., 1998, Hase and Davis, 1999, Hase and Tay, 2004, Stephenson, 1994, Stephenson, 1996, Stephenson and Yorke, 1998). The proponents of the ‘capability’ concept suggest that the turbulent and continuously changing operating contexts of the current times create an additional need, beyond, but inclusive of competence (Fraser and Greenhalgh, 2001; Hase et al., 2006).

Capability implies managing effectively in the present, but with unknown or emerging contexts and with new problems, and is apparently future oriented (Davis and Hase, 1999). Central to the concept of capability is the notion of adaptability in response to emerging change and the implication that self-initiated learning is involved (Hase et al., 2006, Phelps et al., 2005). Knowing how to learn is considered a major part of what it means to be capable (Hase, 1998, Stephenson, 1994). Conceptualisations of capability seek to encompass the emergent dynamism of context, complexity, time, continuous learning, flexibility and adaptability. Capability does not preclude the expression of competence but capability is also not regarded as a higher level of competence. Rather, competence is viewed as an essential part of being capable (Gardner et al., 2007).

Empirical evidence supporting the capability concept is limited (Gardner et al., 2007), however conceptual frameworks have been offered by some researchers (Cairns, 1997, Cairns and Stephenson, 2009, Davis and Hase, 1999) (Gardner et al., 2007, Phelps et al., 2005, Townsend and Cairns, 2003). (See Figure 1, below.) The dominant notions of capability

![Figure 1. (Adapted from Cairns and Stephenson, 2009)](image-url)
emphasise the need for continuous adaptability and continuous learning (Phelps et al., 2005). This suggests a different perspective from that of the rationalistic view of competence, and that more dynamic and temporally mediated concepts such as changeability, improvability and responsiveness are the focus of attention (Fraser and Greenhalgh, 2001) when the notion of capability is applied. Capability refers to application of current ability within varied and changing situations and as such the emerging and specific context-of-the-moment is included in the concept (Cairns, 1997).

Cairns (2000), defines capability as ‘an all-round human quality, an integration of knowledge, skills and personal qualities used effectively and appropriately in response to varied, familiar and unfamiliar circumstances’ (Cairns, 2000, p. 2). Gardner et al (2007, p.252) in their study of nurse practitioners describe capability ‘as an holistic attribute with capable people more likely to deal with the turbulent environment in which they live (or work) by possessing an all-round capacity to manage continual change’. A significant study by Phelps et al (2005, p. 69) within the computer education context suggests that capability, ‘arises from the interaction of the individual with the world’ and thus is more a matter of ‘becoming’ (p. 75). This emphasises a strong learning basis to the concept of capability. While the idea of capability may be attractive conceptually, enhancing continued thought and discussion (Watson, 2008), it is conceded that capability may be a human way of being more easily recognised than measured (Stephenson, 1994). In the next part we consider philosophic and methodological approaches to exploring and theorising about capability.

Part 2. Exploring and theorising about capability

The central motivation for the theoretical development of the capability concept in the education and training literature is centred on the perceived limitation of the rationalistic concept of competence and associated frameworks (Cairns and Stephenson, 2009; Gardner et al., 2006; Phelps et al., 2005; Stephenson, 1994). Reference to the alternative interpretive view of competence is absent in this literature. The limitations are identified in the perceived gap between how the competence concept is theorised and applied via competency frameworks versus what actually happens in practice.

In particular, competencies expressed as some combination of KSA’s and other attributes are seen as not sufficient to explain how competencies are enacted to produce appropriate and effective action (Stephenson, 1996). The application of human values, commitment, creativity, intuition, integrity and other personal qualities are considered unaccounted for in the rationalistic understanding of competence, which is seen as simplistic (Stephenson, 1998). Also, the focus of the rationalistic view of competence is upon the static idea of what has been learned, rather than on the dynamic concept of learning.

Capability as a concept has been proffered as a more holistic means of describing and theorising about how deft management of life, work and learning is conducted effectively in relation to context. The concept of capability is regarded as a less simplistic and thus a more realistic rendition of what capable people actually do in responding appropriately when environmental circumstances change. The expressed limitations of the (rationalistic) concept of competence within the capability literature, also mirror those highlighted by the proponents of the interpretive view of competence (Dall'Alba, 2004; Sandberg, 2000; Sandberg and Targama, 2007). Also, with capability expressed in terms of being ‘an all-round human quality’ (Cairns, 2000, p. 2), ‘holistic’ (Hase and Davis, 1999; Stephenson, 1998) and ‘aris(ing) from the interaction of the individual with the world’, there are clear similarities between the capability concept and the interpretive view of competence. (See Table 2.)
Table 2. Similarities of perspective shared between the interpretive view of competence and the capability concept.

- Both concepts seek to explain both current and potential human ability at work;
- Both concepts are viewed holistically;
- Both concepts include KSA’s and other human attributes as essential, but insufficient to satisfactorily explain the enactment of the phenomena;
- Both concepts seek to provide a more direct description of how people enact their knowledge skills and abilities in ways relevant to the work, through the inclusion of context and time;
- Both perspectives highlight the crucial influence of the human tacit dimension;
- Both concepts are open ended over time;
- Both concepts are developed from a viewpoint of nominalist ontology and an anti-positivistic epistemology.

Both perspectives seek to provide a more direct description of how people enact their knowledge, skills and abilities and do so by not relying on the rationalistic subject-object relation to explain knowledge development and enactment (Cairns and Stephenson, 2009; Sandberg, 2000). Instead, both perspectives highlight the key influence of the human tacit dimension (Hase and Tay, 2004; Sandberg, 2000; Sandberg and Pinnington, 2009), and the crucial involvement of context and time (Dall'Alba, 2004; Phelps et al., 2005). Context specificity also means that the concepts are open ended over time (Phelps et al., 2005; Sandberg and Dall'Alba, 2009). The concepts share these similarities not because they ‘contain’ common attributes which make them similar, but because they are viewed and understood from a common standpoint. Both conceptualisations arise from a common, nominalist ontology (Burrell and Morgan, 1979), which is a particular way of understanding and viewing human phenomena, and reality.

Nominalist ontology rejects the ideal of an objective reality external to the observer or researcher (Burrell and Morgan, 1979), and thus also assumes an anti-positivistic epistemology. From this standpoint there is no separation between the worker and the work and conceptualisations such competence or capability, are not separated from their supposed constituents. Instead, competence or capability can be understood as holistic phenomena, where the person, and their work performance are unified and irreducible.

Theorising from the perspective of nominalist ontology permits the observed phenomena (competence or capability) to be seen and described as a relational whole where the actors are embedded and enmeshed within that relational whole (Chia and Holt, 2006, Sandberg and Pinnington, 2009). As demonstrated in the earlier synopses of capability and the interpretive view of competence above (hereafter referred to more simply as ‘competence’), descriptions developed with such a perspective are seen to capture more of what matters and give a closer description of how people effectively accomplish what they do, inclusive of context and time (Sandberg and Tsoukas, 2011). While the common ontological perspective suggests that the concepts of competence and capability are similar and related, there are differences in the meaning of the concepts as described thus far, particularly in regard to inclusion of self-initiated learning.

The concept of capability is centred on a notion of adaptability in response to emerging change and the implication that continuous self-initiated learning is involved (Cairns and Stephenson, 2009), with outcomes focused on changeability, improvability and
responsiveness (Fraser and Greenhalgh, 2001). Competence on the other hand is seen as how the person *understands* the task and its context at some particular time, with outcomes that can occupy a hierarchy of competence in a given task (Sandberg, 2000). Competence changes when the understanding that the individual has of the task changes. Initially, it is tempting to surmise that the idea of learning which is crucial to the concept of capability is in fact the same as change in understanding, which is also learning. The question then arises as to whether the concepts competence and capability are really the same human phenomena, arising in different literature. If not, then what distinguishes the concepts?

In the competence literature, descriptions about how understanding is changed is approached mostly from the view point of action and intervention by others, such as educators, human resource personnel, or managerial leaders (Sandberg and Targama, 2007), and not as a self-generated process. It is acknowledged that it is difficult for individuals to identify let alone question their own understanding, being mostly taken-for-granted and beyond reflection (Sandberg and Targama, 2007, Sandberg and Tsoukas, 2011). As such, competence does not specifically encompass a notion of *the individual acting competently in an environment of change*.

But some individuals are ‘capable’ of seemingly independently sensing emergent changes in environmental circumstances, and respond with changed but sensible actions, continuously over time. It is this type of individual to which the concept ‘capable’ refers, and renders the concept as different from competence. What makes the concept of capability worthy of further exploration is the attraction of developing better understanding of how these individuals seemingly independently recognise the changing environment and context, make sense of it, and then engage in continuous effective self-learning as a basis of response.

If insights along these lines can be advanced, then further insights as to how capability can be developed may also be revealed. To progress this exploration we think it sensible to take guidance from the interpretive perspectives discussed so far, which include methodologies that preserve the meaningful relational totality in which practitioners are involved. Research from the perspective of nominalist ontology reveals more about complex human phenomena and gives greater priority to ‘how’ to look, than ‘what’ to look for (Chia and Holt, 2006, Sandberg and Tsoukas, 2011). In the next and final part of this paper we will illustrate promising but preliminary insights concerning the phenomenon of managerial capability, generated by a suitable methodology, consistent with the discussion thus far in this paper.

**Part 3. Exploring managerial capability: An illustration from a pilot study of top SME managers in the Australian health care sector.**

In this final part to our paper, we discuss selected findings from a pilot-study of top SME managers in the Australian health care sector. The pilot-study was conducted as a guide for a larger study currently underway designed to elucidate a better theoretical understanding of managerial capability. A full description of this pilot-study and interpretations of findings have been discussed elsewhere (Woods et al., 2012). The early findings are promising in that they reveal insights as to how capable managers seem to self-initiate their continuous learning processes in response to their perceptions of the emerging environment, which contributes to distinguishing capability as a unique phenomenon. This part concludes with a brief synopsis of the direction and intent of the continuing research into managerial capability.

The pilot-study was contextually limited to owner-managers of SME’s in the Australian healthcare sector. SME owner-managers were chosen as study participants because of the relative managerial autonomy which these participants have in the SME
context. We chose the community pharmacy health care sector in Australia as our subject-industry because of recent and unprecedented sweeping changes that this sector is experiencing presently, and into the medium-term future (Woods et al., 2012). This substantial business-environment change provides an ideal industry-specific context to study the notion of capability, where apparently ‘capable’ owner-managers are undertaking decisions to successfully meet the emerging circumstances.

3.1 Methodology and method
The pilot-study explored the views of people identified as capable community pharmacy managers. A purposive sample of managers, identified as outstanding managers, was chosen on the basis of specified criteria. The criteria included having recognition within the community pharmacy industry as being highly effective managers. To establish this criterion, the views of leaders of national industry peak body organisations and relevant national authorities concerning pharmacy management were sought, which then identified known top managers. Participant selection was also guided by the known successful performance of the subjects’ pharmacies over recent turbulent years including the present. For this pilot study, five participants were selected.

A qualitative, interpretive approach was used and in-depth semi-structured life-world interviews (Kvale, 2007) were undertaken as the major method of data collection. The interview structure had the aim of revealing how managers approach the management of their small businesses, including thought and action, in responding to their perceptions of the changing environment. To achieve this interview aim, a loose framework of questions were developed starting with discussion about the manager’s perceptions of their business context and the key influences in that context that concern them. Discussion was then directed toward their perceptions of the most important business implications that result from their concerns about the context. Finally, the discussion moved on to how the manager’s approach the management of their businesses in response to the implications, from day to day and over longer time scales. In discussions, managers were encouraged to describe what thoughts and actions were important to them in relation to what they were trying to achieve, including personal behaviours that they engage in to inform themselves and to test ideas. Collection of other forms of relevant data such as observations, documents, photographs, industry media reports, was also undertaken.

The five interviews, each between 60 and 90 minutes, were undertaken and recorded using a digital audio recorder with participant permission. Recordings were transcribed verbatim into a word-document following each interview, with the researcher’s notes taking the form of a memo. Every transcript was read and re-read in whole, before more detailed analysis commenced.

Interview text analysis focusing on meaning (Kvale, 2007) was carried out using the analytic approach suggested by Corbin and Strauss (2008). 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, rich properties and dimensions of each concept emerged (Liamputtong, 2010).

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.

In summary, this methodological approach permitted the analysts to interpret psychosocial processes and the perceptions of context and experiences the participants have concerning the phenomenon of management in community pharmacy (Morse, 2001). The research method is based on a methodology founded on nominalist ontology, and an anti-positivistic epistemology (Burrell and Morgan, 1979) and permits three key underlying assumptions: 1) that the managers are immersed in their management practice holistically, as a meaningful totality, 2) that each manager is experiencing their unique context as part of that meaningful totality, and 3) that their managerial experience is situated within a ‘temporal flow’ of practice, which includes ‘time’ in the description of the phenomenon under investigation (Sandberg and Tsoukas, 2011, p. 342-343). Importantly, it is the inclusion of context with time which gives the interpretation of managerial practice ‘directionality’, as well as the ability to take account of ‘anticipation (and) uncertainty’ (Sandberg & Tsoukas, 2011, p. 342).

### 3.2 Findings

The data analysis revealed three major categories within the complete data set, shown in Table 3 below. Each category label represents a short interpreted synopsis of the participant discussions arising from each of the three aspects explored in the interview process described above, namely: 1) perceptions of the business environment, 2) perceptions of the implications which arise from the changing environment and 3) managerial approaches in responding to the perceived implications. Each category in the table was interpretively constructed from a number of theoretical concepts which together provided the interpretation for the category. For simplicity and to make illustrations pertinent to the discussion so far in this paper, only the key concepts of each category are shown underneath each of the three categories. (For the description of the interpreted concepts belonging to each category, and how they were derived, see Woods et al (2012)). There is no hierarchical ordering implied within or between concepts, and no such ordering within or between the categories.

**Table 3. Interpreted concepts and categories from interview text analyses.**

<table>
<thead>
<tr>
<th>Category 1</th>
<th>Experiencing complexity and uncertainty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concept:</td>
<td>Changing customer perceptions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category 2</th>
<th>Repositioning toward relevance to customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concept:</td>
<td>Engaging customers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category 3</th>
<th>Generative learning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concept:</td>
<td>Learning continuously</td>
</tr>
<tr>
<td>Concept:</td>
<td>Experimenting</td>
</tr>
</tbody>
</table>
3.3 Discussion
The first category, ‘experiencing complexity and uncertainty’ emerged from participant descriptions of their perception of a range of specific but dynamic threats, and describes their perception of 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. However, the major concern by all participants was 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.

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’ (Category 2), so as to maintain and grow customer numbers and preserve business viability.

All interview participants are thus 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. Given our focus on exploring the notion of capability, our interest 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. It is within our category 3, ‘Generative learning’ that important insights emerge as to the possible nature of the capability concept.

Discussions surrounding the nature of managerial approach, thought and action revealed integrated concepts such as experimenting, and (personal) continuous learning. The concept shown in category 3, ‘learning continuously’, refers 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 knowledge and world view in their day to day life, but more poignantly demonstrated a continuity of personal learning and a future focus.

While participants had different approaches to how they engaged their continuous learning processes, the behaviours seemed to be regarded by participants themselves 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 sensing and 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 (Kashdan and Silvia, 2011). 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). 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.

All participants were also 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’ (within category 3), includes participant descriptions of imitation, improvisation, trial and error learning and experimentation which are all regarded as learning types (Miner et al., 2001). 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. We have used Senge’s term as the title of our third category. 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 et al., 1992).

In summary, the capable managers we have interviewed show strong continuous learning (including experimenting) proclivities and this seems to be a vital behaviour in their ongoing sensing of, and response to, the perceived changing business context. While it is not surprising that capable managers have ‘learning’ at the heart of how they deal with and respond to environmental changes, what is interesting in relation to exploring the capability notion is the self-initiated continuity of their learning over time, which was mostly taken for granted by the participants themselves.

In Part 2 of this paper, we highlighted that ‘capability’ has at least two aspects which make it unique and worthy of greater theoretical understanding: 1) that capability is dynamic in that it involves continuous effective self-initiated learning in conjunction with changing circumstances over time and 2) that capability is apparently future focused. The analysis of the empirical material from our pilot study indicates that a natural and continuous curiosity appears to be the driving force which keeps learning both dynamic and constantly future focussed.

Curiosity has been described as ‘a durable individual difference or personality trait that prescribes individuals’ typical exploratory responses, and these responses are experienced as dynamic states’ (Harrison, 2011, p. 111). The limited but growing literature on curiosity, mostly in the psychology discipline, confirms that curiosity’s immediate function is to learn and explore (Kashdan and Silvia, 2011), ‘…with an eye toward change and complexity as opposed to stability and familiarity’ (p. 371). Curiosity is described as a ‘generative force’ (Harrison, 2011, p. 110) and in the longer term ‘serves a broader function of building knowledge and competence’ (Kashdan and Silva, 2008, p. 368).

We suggest that ‘curiosity’ may be an important construct to further investigate, as we continue our exploratory research concerning ‘managerial capability’. This initial insight from our pilot study serves to illustrate fertile beginnings to the theoretical development of capability as a dynamic and future-focused learning concept. Our pilot study also illustrates a methodology with appropriate philosophical underpinnings that permits conceptual description in terms of the participants experiencing their reality as a relational whole (Chia and Holt, 2006). The pilot study findings act as an informative departure point for our
continuing participant sampling and interview processes as we journey toward gaining
greater theoretical clarity concerning managerial capability.

Conclusion

Our discussions in this paper sought to address three aims centred on developing a
better understanding of the notion ‘managerial capability’. Firstly, we developed greater
conceptual clarity concerning ‘capability’, contrasted with the often related term
‘competence’, at the level of the individual. In summary, conceptualisations of capability
seek to encompass the emergent dynamism of context, complexity, time, continuous learning,
flexibility and adaptability. The emphasis of continuous adaptability and continuous learning
gives ‘capability’ a distinctly different flavour from that of ‘competence’.

Then in Part 2, we explained why managerial capability is worthy of further
exploration and how best to approach that exploration with the aim of generating useful
theory about the phenomenon. Exploring managerial capability is a worthy pursuit in that
such exploration may shed light upon how capable managers seemingly independently
recognise the changing environment and context, make sense of it, and then engage in
continuous effective self-learning as a basis of response. Gaining a better understanding of
how managers enact capability may provide insights in how to develop such capability.
Utilising extant literature we concluded that interpretive methodologies founded within
nominalist ontology (Burrell and Morgan, 1979) best enable an understanding of complex
human phenomena. This approach preserves the meaningful relational totality in which
participant-managers are entwined, over time.

Finally in Part 3, we discussed selected findings of a pilot study which illustrates a
fruitful research methodology and a useful departure point regarding continued theory
development of the concept ‘managerial capability’. Preliminary findings from the pilot study
suggest that natural and continuous curiosity appears to be a driving force which keeps
learning both dynamic and constantly future focussed. A larger study, usefully informed by
the pilot is currently underway.

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