

Measuring Organisational Capability: Beyond Competence

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ABSTRACT

Previous research by the author and colleagues has shown a recognition by organisations that they need to pay more attention to developing employee capability in order to adapt to a rapidly changing and highly turbulent world. Specifically human resource development and training methods need to be designed so that they to build on competence and find ways to enable people to learn, be creative, use competencies in novel as well as familiar circumstances, develop self-efficacy and to work well in teams. In addition human resource management needs to involve helping people use these dimensions of capability through effective systems and management behaviours. There are several lines of evidence that suggest that there is a need to move beyond training to harnessing ecological learning in order to develop human capability, as well as competence. The research described here involved the development of a diagnostic instrument to measure organisational capability that can be used to redesign training and management practice. The methodology involved a two step process; a qualitative approach first to develop a theory followed by a quantitative method to develop the instrument. The implications of this instrument, the research findings and capability for vocational education and training are discussed.

A TWO STEP RESEARCH DESIGN TO MEASURE ORGANISATIONAL CAPABILITY

This paper reports on two stage study that set out to try and better understand the concept of organisational capability and to develop an instrument that could be used to identify its defining characteristics in any organisational setting. Initially, a qualitative study was undertaken using a Grounded Theory approach (Glaser & Straus 1967) to identify those factors that appear to contribute to organisational capability. This study has been reported elsewhere (Hase, Cairns & Malloch 1998; 1999) but is summarised below to provide context. The second stage of the study involved the development of an instrument based on the factors identified in the first stage that appear to contribute to organisational capability. This initial instrument was tested and refined using a standard quantitative approach and resulted in the final Organisational Capability Questionnaire (OCQ) measuring ten factors and which is described here. As described later the OCQ is intended as a self-report instrument for use by managers interested in evaluating their own and other employees' perception of a number of aspects of their organisation or work group. These perceptions are then used for making decisions about changing organisational climate through work or management practices.

CAPABILITY

One of the most recent models to challenge traditional concepts of learning and which looks at outcomes as well as process is that of Capability (Stephenson & Weil 1992). Capable people are those who: know how to learn; are creative; have a high degree of self-efficacy; can apply competencies in novel as well as familiar situations; and work well with others. In comparison to competency, which involves the acquisition of knowledge and skills, capability is a holistic attribute.

The world right now is no place for the inflexible, the unprepared, and the ostrich with head in sand; and this applies to organisations as well as individuals. Capable people are more likely to be able to deal effectively with the turbulent environment in which they live by possessing this 'all round' capacity. Preparedness for continual change is a key attribute for people in any workplace.

Application of the capability concept has largely involved the creation of innovative learning experiences that help develop the elements of capability in individuals (Graves 1993; Stephenson & Weil 1992) in both education settings and in the workplace. More recently, in Australia, we have been interested in not only how work based learning can develop capable people, but also how human resource management and development systems may also be designed to enable capability in everyday work (Cairns & Hase 1996; Hase 1998).

While there was a good deal of theoretical and anecdotal literature to support the largely humanistic concept of organisational capability that goes back to Carl Rogers and Abraham Maslow, it was evident that little well designed research had been conducted to date. Further, there are several lines of evidence such as the Karpin Report that support the view of Argyris and Schon (1996) that there is frequently incongruence between espoused theory and theory in action in management behaviour. The two stage process described here was an attempt to address this problem.

THE FIRST STAGE

To fulfil the initial objective of determining what might be critical elements of organisational capability Hase, Cairns & Malloch (1998) undertook a detailed case study analysis of ten Australian public and private sector organisations using a Grounded Theory (Glaser & Straus 1967) approach and interviews with 79 people. They concluded that to develop capable people and capable organisations requires major paradigm shifts in the way in which management, education / training and workplace are conceptualised.

A two stage approach was used to achieve our objectives. The first stage involved interviewing staff in 10 different organisations. These organisations were selected using criteria for assessing Capability established at conferences held by the Australian Capability Network, and also with assistance from a reference group.

The ten organisations were: an international engineering consulting company; a cement manufacturer; a large construction and mining company; special Aboriginal school; a large city council; a cable manufacturing company; a section of a large public sector organisation; an education and training provider; a large chemical manufacturing company; and a state road authority

The case studies identified a number of factors essential to achieving organisational Capability and the development of Capable people. In Capable organisations there needs to be:

1. Recognition by all levels of staff of the enormous complexity and ongoing nature of organisational change and development that affects all levels of the organisation. This recognition involves an appropriate commitment of time, energy and resources.
2. A CEO who unambiguously supports a vision of the future consistent with many of the elements of Capability. This support meant that resistance can be overcome and that innovators and 'champions for change' could thrive.
3. Skilled leaders (rather than 'managers') who have an excellent grasp of the 'soft' or people-oriented skills associated with leadership. This finding is consistent with other literature including the Karpin Report that suggests Australia needs to improve leadership/ management training. Leaders also have the capacity to manage the complexity of change and its effects on people.
4. Team based structures that enable people to be involved in decision making, have access to knowledge and information, and have responsibility for their own work.
5. Adequate reward systems that provide for the intrinsic and extrinsic needs of people. Intrinsic rewards are seen as being actively involved in decisions about work, having access to the right information, and training opportunities: these issues largely centre on feelings of empowerment. Extrinsic rewards, such as financial and other benefits are often articulated in an enterprise bargaining agreement.
6. Members of the organisation feel that individual elements (such as being valued and encouraging self-esteem) are embedded in the organisation's operations with a resultant perception of real empowerment (particularly in relation to learning control) being evident to all. People want to feel that their abilities are recognised and used.
7. Opportunities for multi-skilling provided by a commitment to the development of competencies.
8. A clear focus and commitment to learning.
9. Performance evaluation which is perceived by staff to be carried out clearly and equitably.
10. The provision of time and resources for staff learning and development.

A search conference was held after the categorisation of data to determine the implications of these findings for vocational education and training.

THE SECOND STEP

These ten factors were used to develop an initial version of the OCQ. Thirty statements were designed that addressed the factors described above (3 items per factor). Respondents were asked to indicate the extent of their agreement or disagreement with each statement on a 5-point Likert Scale. An additional 5 statements about individual capability were also included to estimate the extent to which respondents thought capability as a whole was a useful concept for an organisation. Some items were reversed to assist with response validity. These questions were piloted using 15 academics involved in management education at an Australian university and were revised for greater clarity as required. Some examples of the questions can be seen in the questionnaire below.

The questionnaire was sent to a random sample of 140 MBA students and 91 (65%) were returned. Additional information was requested about the respondent's gender, age, position in organisation and industry sector in which working. A short explanation about the questionnaire, instructions and a stamp addressed envelope were provided. It was made clear that their participation was voluntary and entirely confidential. No coding system on the questionnaires or envelopes was used.

The returned questionnaires were factor analysed using Principal Components Analysis with Equamax Rotation and subjected to a Cronbach Alpha Reliability test. Factors with an eigenvalue of above one were accepted and individual items with a reliability of below .6 were rejected. Those items with a factor loading of above .6 were used to develop the final questionnaire and each factor was labelled. Ten factors were identified which explained 67% of the total variance and they were labelled as:

- Working in Teams
- Competent People
- Visible Vision and Values
- Ensuring Learning Takes Place
- Managing the Complexity of Change
- Demonstrating the Human Aspects of Leadership
- Change Agents
- Involving People in Change
- Management Development
- Commitment to Organisational Development

There were no differences between any of the factors and age, sex, position or industry using a One-Way Anova.

It was encouraging that there was a high degree of overlap between these factors and those from the qualitative study given the different nature of the samples and the approaches.

THE ORGANISATIONAL CAPABILITY QUESTIONNAIRE

Instructions

This questionnaire is about organisations and the way in which people understand them.

We would appreciate your assistance by reading each of the statements provided below and indicating, on the scale provided, the extent to which you agree or disagree with what is said. Some information about you is also requested in the first section of the questionnaire.

This study is completely confidential and your anonymity will be maintained. Only the researchers conducting this study are aware of your involvement and no coding is used to identify questionnaires or envelopes.

An envelope, also not coded, is provided for the return of the questionnaire.

Thank you for your assistance.

Section A

This section consists of relevant demographic data that is of interest. Minimum data would be gender and age.

Section B

Please indicate on the numbered scale the extent to which you agree or disagree with the statement on the left. 1 indicates strong disagreement, 2 disagreement, 3 undecided, 4 agreement and 5 strong agreement.

To what extent do you agree or disagree that your organisation actively enables their employees to:

	Disagree			Agree	
1. Be creative, to think 'outside the box'.	1	2	3	4	5
2. Use competencies in novel rather than just familiar circumstances.	1	2	3	4	5
3. Learn from what they do.	1	2	3	4	5
4. Demonstrate initiative.	1	2	3	4	5
5. Develop confidence in their ability.	1	2	3	4	5

Section C

The following statements refer to your organisation. Please indicate on the scale provided the extent to which you agree or disagree with each statement.

	Disagree			Agree	
6. Our organisation commits adequate time and resources to prepare for and manage change.	1	2	3	4	5
7. Only a few key people in our organisation are involved in organisational change processes.	1	2	3	4	5
8. Our CEO provides highly visible support for change process that prepares the organisation for the future.	1	2	3	4	5
9. Our organisational vision and values are consistent with a preparedness for change.	1	2	3	4	5
10. Leadership is seen as a low level management skill in our organisation.	1	2	3	4	5
11. Managers in our organisation are involved in human resource development.	1	2	3	4	5
12. Team based organisational structures are an essential feature of our organisation.	1	2	3	4	5

13.	In our organisation people are allowed to accept responsibility for their own work.	1	2	3	4	5
14.	Strong people oriented skills are a feature of how change is managed in our organisation.	1	2	3	4	5
15.	In our organisation fostering intrinsic rewards for staff is not seen as important.	1	2	3	4	5
16.	People in our organisation feel that their skills are valued and used.	1	2	3	4	5
17.	The development of employee's competencies is an important organisational goal.	1	2	3	4	5
18.	Learning as part of work is valued more than training in our organisation.	1	2	3	4	5
19.	Employee needs are recognised as much as their skills in our organisation.	1	2	3	4	5
20.	Managing the complexity of change is a critical management function in our organisation.	1	2	3	4	5
21.	In our organisation there is little effort put into developing good managers.	1	2	3	4	5
22.	Our managers are helped to develop their leadership skills.	1	2	3	4	5
23.	Our organisation's capability is increased by the use of self-managing teams.	1	2	3	4	5

IMPLICATIONS FOR VOCATIONAL EDUCATION AND TRAINING

A number of implications were derived from the study so far

1. It can be predicted that in many cases theory in practice will be different from the espoused theory (Argyris & Schon, 1996). Thus the questionnaire may be valuable in identifying learning needs in terms of the dimensions identified above.
2. Vocational education and training needs to focus on developing people for the modern workplace which is demanding more holistic attributes that go beyond competence.
3. There is a need to change our understanding of what constitutes good management skills and leadership, identify when it is lacking and provide the required learning.
4. While competencies are useful in developing a multi-skilled workforce, there is a need to go further by developing capable people who can cope with the constantly changing needs of the modern workplace.
5. Working in teams is a commonly applied concept in organisations and people could benefit from special training in how to function effectively in a workplace in team based structures.
6. Developing some of the qualitative aspects of human behaviour will require new and innovative ways of learning rather than the current training approaches.
7. Education providers should consider the provision of innovative learning processes consistent with the notion of developing Capable people. There are a number of current models for developing learning cultures that could be further investigated in terms of vocational education and training. Three of these are: Work Based Learning (Hase, 1998); Ford's (1995) Integration of People, Process and Place; and Learner Managed Learning (Graves, 1993).
8. Integration of learning with other human resource management systems may facilitate a culture of learning.
9. The role of the trainer needs to change dramatically through the acquisition of new skills to develop people who can learn and thereby assist in the creation of capable organisations. The new role will be more akin to that of a learning facilitator and mentor rather than that of a trainer.

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