Unravelling the notion of organisational capability:
What do writers say it is and VET providers think it is?

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Abstract

Organisational capability is rapidly becoming recognised as the key to organisational success. However, the lack of research on it has been well documented in the literature, and organisational capability remains an elusive concept. This paper explores the concept using recent academic and consultant literature as well as findings from research undertaken by the National VET Research Consortium, *Supporting VET providers in building capability for the future*.

Introduction

'Capability' is one of the most bandied about words, yet seems to mean all things to all people. Like 'competence' – and often used explicitly or implicitly as synonymous with that term – 'capability' has become a buzz word. Its common domain is the business world, but the vocational and training (VET) sector is also increasingly appropriating it (e.g. Schofield & McDonald, 2004, p.17; Dickie *et al*., 2004, p.23, 27; Mitchell *et al*., 2006, pp.3, 5; Staron, Jasinski & Weatherley, 2006, p.5-6). Its use in VET is increasing, as that sector professes the need to become more business oriented, as the search continues for new paradigms of developing people beyond 'professional development', as the inevitable swing of the pendulum of educational change begins to descend from the dizzy heights of competency-based training, and as the reality of a knowledge economy future starts to sharpen in its focus. With the need for agile organisations and adaptable workforces, the search continues for new ways of thinking and acting.

Organisational capability is rapidly becoming recognised as an important, if not the most important, key to organisational success. The ferment of change over the past couple of decades has seen considerable restructuring by organisations as they undergo massive cultural change, strive to transform their organisational character and search for competitive advantage. Changes to work and the organisation of work have tended to shift the emphasis from individual competence to organisational capability, or at least, for the former to be subsumed within the latter.

However, its meaning remains opaque. While much has been, and continues to be, written about it, the lack of research on the concept is well documented in the literature. Two Australian examples are Hase (2000, p.2) who concluded that 'it was evident that little well designed research had been conducted to date' and Gill and Delahaye (2004, p.1) who proclaimed that 'there is very little in the research on how organisations build their organisational capability'. Organisational capability remains, indeed, an elusive concept.

I conclude that it remains elusive because of obfuscation in writings primarily over its object – whether individuals or organisations – and secondarily over a number of other juxtapositionings. The appropriation of capability in reference to both individual

development and organisational renewal is the most common. In the five examples above, for instance, some refer to one, some to the other, while at other times it is left unclear as to which is the focus. But there are other juxtapositionings – such as between potential and actual, capacity and capability, processes and resources, capability and capabilities, and capability and competence. Admittedly, there do not (yet) appear to be accepted ways in which to define such concepts, and so it is hardly surprising that a lack of clarity and consistency persists. However, the point I am drawing attention to here is the frequent sin of omission in declaring exactly what is being written about. Is it any wonder, then, that there remains 'a rather thick terminological haze over the landscape where capability lies' (Winter, quoted in O'Regan & Ghobadian, 2004, p.293)?

The purpose of this paper, therefore, is to explore the notion of organisational capability using recent literature as well as findings from one of the research activities of the National VET Research Consortium, *Supporting VET providers in building capability for the future*.

Research method

Qualitative interpretation commences with elucidating meanings. The researcher examines text and asks: what does this mean? what does it say about the phenomenon of interest? Oscillating back and forth between the text and one's own understandings, the researcher strives to make sense of the evidence. Both the evidence and perspective brought to bear on the evidence need to be elucidated in this choreography in search of meaning (Patton, 2002, pp.477-8). Also meaning-making can come from comparing stories and cases. Some comparisons focus only on similarities, others only on differences and still others on both (Thomas, 2003, p.86).

Evidence for this paper was drawn from two sources. First, content analysis of recent academic and consultant literature was undertaken in an attempt to establish a backdrop against which practitioner perspectives could be viewed. Second, two-day visits were made to ten public and private VET providers (seven TAFE institutes, one small private provider, an adult and community education provider and a large enterprise-based provider) drawn from all states and one territory, the Australian Capital Territory. Interviews were held with 43 staff at three levels – CEOs/senior managers (SM), middle managers (MM) and enablers (E) between management and work teams – as well as 16 focus groups with team workers (TW), ranging in size from three to fifteen members. Each interview was for about one hour and each focus group for about one and a half hours. While these consultations focused on another purpose – cultures and structures (see Clayton, 2006) – information was able to be inferred on how they interpreted organisational capability and what they believed they were doing to build it. The limitation is acknowledged of potential incongruence between espoused theory (what people say they do) and theory-in-use (what they actually do) (Argyris, Putnam & McLain Smith, 1985).

What do writers say about organisational capability?

Definitions
Definitions of organisational capability abound. A few random versions include: 'the sum of all things that enable an organisation to deliver services' (DFA, 2006);

'ability… to effectively meet… business objectives' (ANAO, 2001, p.19); 'an all round quality …' (Stephenson, 1999, p.4); 'capacity… to deploy existing resources to perform some task' (Grant, cited in Spanos & Prastacos, 2004, p.32); 'those talents… to execute… strategy' (WCL, 2006); 'the embodied knowledge set that supports competitive advantage …' (Gill & Delahaye, 2004, p.1); 'a process of examining an organisation to increase its capacity…' (Haertsch, 2003, p.1); and 'often referred to as organisational competences, although strictly a capability refers to the potential and competence suggests an applied and well-practised capability' (OpenLearn, 2006).

These definitions illustrate a wide range of understandings – the sum of all things, ability, quality, capacity, talents, embodied knowledge, a process, potential – and exemplify why the concept is so difficult to pin down. However, from a distillation of definitions, perhaps the following is the most succinct for the purposes of this paper: 'organisational capability refers to an organisational ability to perform a co-ordinated task, utilizing organisational resources, for the purpose of achieving a particular end result' (Helfat, 2003, p.1).

Labels and conceptualisations
The concept has also been variously labelled, as a 'broad concept with many elements and attributes' (O'Regan & Ghobadian, 2004, p.293), 'central to organisational performance' (APSC 2003, p.3) and the 'key determinant of competitive advantage' (Bakhru, 2004, p.327). When used in the plural, organisational capabilities have generally been conceptualised as 'socially constructed entities' (Spanos & Prastacos, 2004, p.33). They have been defined as socially complex processes that determine the efficiency and effectiveness by which organisations are able to transform inputs into outputs (Collis, 1994), and are developed over time and nurtured through complex interactions among organisational members (Amit & Schoemaker, 1993).

A number of conceptualisations appear in the literature. OpenLearn (2006) reinforces that organisations have unique resources, but that these are not productive in themselves – they have to be converted into capabilities by being managed and coordinated. It is how the resources are used that determines performance differences in organisations. These resources include: (a) the tangible – financial, physical, (b) the intangible – technology, reputation, culture, and (d) the human – specialised skills and knowledge, communication and interactive abilities, motivation. Furthermore, to bestow competitive advantage, capabilities need to exhibit four characterisitics: inimitability (difficult for other organisations to imitate or acquire), durability, relevance and appropriability (extent to which value generated is subject to negotiation between all stakeholders). Cairns and Stephenson (2001), from a social learning perspective, conducted their research around eight 'key features of a healthy learning milieu' (p.447), since their focus was specifically on exploring the role of National Vocational Qualifications in contributing to the enhancement of organisational capability. Haertsch (2003, p.1) writes about the alignment of three capitals. What is 'central to the building of the organisation's capability' is the combination of human capital (people skills and knowledge), social capital (relationships between people) and organisational capital (the organisation's processes), and aligning them such that each supports the others.

It is indeed intiguing how often such classifications are three-fold, most often starting with the obtaining of assets and progressively working up to more sophisticated

processes of coordinating and integrating them (other examples include Collis, 1994; Whitley, 2003; Hong & Stahle, 2005). Space limits further analysis of these, though the paper later returns to the last one. Suffice it to say that there appears a general consensus that the concept – at least in early classifications – belongs in the resource-based view of corporate strategy. Organisations differ in fundamental ways as each has its own bundle of resources (O'Regan & Ghobadian, 2004, p.293), and Rifkin and Fulop (1997, p.135) warn that, because any common trajectory of change is not evident, there is unevenness and a degree of inertia or resistance to change and some organisations seem particularly difficult to transform. Bakhru (2004, p.327), too, draws attention to the fact that the race to build capabilities is not an equal race, as different organisations facing changing operating environments bring with them pre-existing histories and resources. In the face of much restructuring and amalgamation, and the geographical distribution of campuses, this is a particularly salient point when considering organisational capability of VET providers in Australia.

Models
In attempts to make the concept more operational, some writers have attempted to develop models. For example, Hase and colleagues (Hase, Malloch & Cairns 1998, Hase 2000) constructed the Organisational Capability Questionnaire, a diagnostic, self-report instrument of 35 items. Ten key factors were identified:

- recognition by all staff levels of complexity and ongoing nature of organisational change
- a CEO who supports a vision for the future and protects the champions for change
- skilled leaders with excellent grasp of people-oriented skills
- team-based structures that enable people to be involved in decision-making
- adequate reward systems that provide for intrinsic/extrinsic needs of people
- feeling of empowerment, that their abilities are recognised and used
- opportunities for multi-skilling, commitment to development of competencies
- clear focus and commitment to learning
- performance evaluation, perceived by staff as clear and equitable
- provision of time and resources for staff learning and development

A few years later, a Model of Organisational Capability was developed by Gill and Delahaye (2004) based on three domains – strategic intent, organisational structure and individual knowledge. The model offers practitioners a framework for defining and developing organisational capability, whereby they can define their own domains, identify their own core organisational capabilities to provide a basis for developing the enabling systems and processes, and examine the alignment of these systems and processes. The authors call for more research on how organisations define their core organisational capabilities and align their enabling systems and processes.

One further model of relevance here is the EFQM (European Foundation for Quality Management) Excellence Model, which has been widely used in both private and public sector organisations. A survey in 2000 in the UK of 3,500 public organisations showed that an estimated 44% were using this model and 81% reported that the model had proved an effective tool within their organisation (Consortium for Excellence in Higher Education, 2003, p.5). The shift from quality to excellence is said to be subtle but significant, and the need to embed excellence requires 'a mind-set change' (p.6).

Underpinning the model are the principles of knowing where the organisation is at, where it wants to go and how it can get there. The model is based on nine criteria – five 'enablers' (leadership, people, policy and strategy, partnerships and resources, and processes) and four 'results' (people results, customer results, society results, and key performance indicators). It is a framework for coordinated analysis and thinking, rather than the solution to issues it raises, and can be used in many different ways and applied to any type or size of organisation at any stage of maturity (Barrett, 2006, p.206). What appears useful about this model is its non-prescriptive nature, its holistic approach in examining all areas of an organisation, and that it is a self-assessment process based on obtaining factual evidence to provide a more balanced set (than some other models) of results indicators beyond the financial.

A different genre of writing from the academic is that emanating from **consulting companies**. It is less theoretical and more linguistically popular than academic writing in order to attract customers, and therefore provides another, more pragmatic perspective that is helpful in a paper trying to fathom what organisational capability actually means. The consultants use their own preferred frameworks and tools for assessing, and examination of these makes more explicit their conceptions of organisational capability. A few are analysed here as examples.

Jay (2000) discusses the so-called Balanced Scorecard used by many successful businesses – a matrix of four different perspectives: financial, internal, external and developmental. He contends, however, that a fifth element, building capability, is the defining one that connects the other four in a matrix of organisational agility (p.1). He claims that 'building capability starts with the individual and is compounded or increases exponentially as it spreads to work groups, teams and finally organizations through a network effect' (p.2). The five key performance indicators of a 'capable organization' in Jay's (2000, p.2) view are: a development culture (coaching systems in place), innovation speed (ability to innovate, quickly and with permission to fail), real time connectivity (improving learning), adaptive systems (being self-correcting and generative), and employee leverage (employee and customer satisfaction). The top ten ways to build capability he believes are:
- Create a leadership/coaching system that links all business functions
- Right action = reward the right: people, things, ways, time and reasons
- Create the feeling in the organisation that people can fail to succeed
- Create the necessary infrastructure to connect people with metrics
- Become a development organisation and 'teach' at every level continuously
- Enable people with development opportunities to higher levels of function
- Understand appreciative coaching and how to build a culture around it
- Make it fun to work in the organisation
- Make perfectly clear what should be perfectly clear
- Get out of people's way

Nous Group (2006) depicts four key organisational capability improvement services: organisational design (aligning structure, systems, capabilities and culture); HR strategies (devising people engagement strategies that deliver on the strategic imperatives of an organisation); information management (designing knowledge, information and ICT strategies to solve technology-based challenges); and creating organisational change (facilitating such change through developing capabilities of

managers and staff). It claims that it 'enables organisations to move beyond simply putting people in boxes to designing and building organisations that really work in terms of key processes, relationships and capabilities' (p.2). Another company, Benchmarking Partnerships (2006), offers organisational capability analyses using its Organisational Maturity Framework covering such aspects as internal communications, recognition and reward, knowledge management, innovation, corporate/shared services, leadership, governance, performance measurement and environmental sustainability. A testimonial records that it is a process 'that will deliver sustainable improvements to our organisational health, employee satisfaction and ultimately organisational performance' (p.1).

According to another company, iLEAD (2006, citing Ulrich & Eichinger 1997), the seven most important organisational capabilities are: attracting, developing and retaining management talent; being able to change rapidly and comfortably; clear vision and shared mindset; aligning performance measures and rewards to strategic priorities; being the customer service leader; effective team processes across boundaries; and flexible and adaptable culture.

Drawing a distinction with training, ABB Group (2004, p.1) astutely broadcasts in its opening gambit that 'too often companies seem to think that improving capability just comes down to "doing some training"'. For many organisations, however, 'there seems to be a huge gap between seeing the need and knowing just "which levers to pull"'. In its approach, the focus is on three key themes: working with the leadership team (to build alignment around the issues, the needs, the objectives and the issues of change), supporting live change projects (to involve and obtain the contribution of the people in implementing the changes that will directly affect them) and working across the whole organisation (to communicate the issues, take on-board the feedback and create sense of community).

Organisational capability, according to The Process Renewal Consulting Group in Canada (Burlton, 2006), can be categorised into three major categories: (a) process capability representing the organisation's ability to get work done delivering results to the satisfaction of stakeholders (ways of working, workflows, transformation activities); (b) process enabling capability synthesising the capability to provide sufficient capable re-usable resources so the process can achieve its purpose (physical facilities, information technologies, human resources); (c) and process guidance capability so that the process can do what is right or what is required in the best way (lessons learned from experience or stakeholder feedback, knowledge capability, techniques for process execution, business rules). None of these stand alone, and all aspects need to work together in concert. To ensure adaptability, all of them should be independent of one another yet aligned with business direction and stakeholders' needs. Providing other clues, though without being particularly specific, as to how it conceives organisational capability, White Consultants Limited (2006) states that its appreciation of formal and informal networks, skills in defining the history of success and failure in an organisation and understanding of the clarity of purpose required by successful organisations allows this company 'to assess and suggest interventions at key points in an organisation to unleash the capability within'. Organisational capability, it states, 'combines theory, direct experience and reflection to deliver relevant and sustained organisational change' (p.1).

While explicit details from many of these companies are, quite understandably in a competitive context, difficult to detect, some do refer to specific tools. For example, Futureye (2005) advertises its Eyesis Delivery Measure to assess organisational capability, focusing on review of skills, systems and structures, capability to respond and being proactive or innovative. Another is the Organisational Capability for Change Survey conducted by Atticus Ltd. (2006). Taking less than 15 minutes, this instrument is claimed to be well received by the business community because of its popularity and nature.

What analysis of academic and consultant writings can provide is insight in helping to unravel factors that may comprise organisational capability – those elements that VET managers need to analyse in their organisations. But knowledge of such factors is one thing; understanding how they are to be configured in any particular context is quite a different matter. For not only do organisations differ markedly in quantum of resources, they also vary considerably in such significant areas as histories, geographies, environments, psyches, structures and cultures. Thus, just as the effectiveness of sporting teams depends on far more than individuals within them, or of recipes on more than the list of ingredients, so too does that of organisations on more than their resources. The key aspect in all of these is how the component parts are welded together in particular configurations to suit particular environments. And that is tricky, especially in times of continual change! Rapid responses to changing circumstances can make all the difference for sporting teams, recipes *and* organisations.

Two metaphors in the literature I found were helpful in understanding more about this process of configuring. One is the metaphor of weaving, used to depict the building of organisational capability as the synthesis and integration of constituent elements:

> Just as in weaving, each intersection of warp and weft threads makes an individual knot and, eventually, a completed fabric, in 'organizational weaving', each intersection of human actors and the skills they possess creates a tie carrying with it the opportunity for new knowledge creation and application and, eventually, the social fabric … within which a capability 'dwells' (Spanos & Prastacos, 2004, p.36).

This metaphor derives from accepted notions in the literature that the construction of capabilities is dependent on the organisation's ability to integrate, combine and reconfigure existing knowledge, skills and resources so as to arrive at higher order capabilities that will accommodate rapidly changing contexts. So what this distils to is essentially 'the creation and application of new knowledge out of the already existing stocks of prior knowledge held by organizational members' (Spanos & Prastacos, 2004, p.37). This is the challenge for VET providers in Australia. Thus, the notion of organisational capability raises the critical issue of whether an organisation contains a particular group of actors with the requisite resources (basically the knowledge and skills of its members) and socio-cultural configuration to perform value-adding activities (Spanos & Prastacos, 2004, p.32).

The second metaphor is a water tank (Williams 2001). A tank is for storing water for irrigation, and the capacity for irrigating land is stored in the tank – the fuller it is, the more capacity it has for providing sustenance. But the ability to irrigate successfully depends on more than storage of water – for example, on climatic conditions, rainfall, quality of tap and water distribution networks. What Williams claims he witnesses is

capacity building (building large storage containers) without much capability building (the complex and strategic business of distributing enough water at the appropriate time). This observation could also be made with respect to many Australian VET providers.

The difficulty is that any potential 'answer' to this complex issue of configuration depends on a range of factors (e.g. timing, history and environment) and is unique to each organisation. However, one useful conceptual framework may be that of Hong and Stahle (2005, p.2), which proposes three approaches to what they label as organisational competence (we could read 'capability'), a term they acknowledge as 'among the most diffuse … in the organisational literature': competence as resources ('what you have'), competence as integration capabilities ('what you know and are capable of') and competence as innovative learning processes (emphasis on 'continuous renewal'). They refer to these approaches as generational, each of which has distinctive assumptions, related features and seems to follow a theoretical tradition. Table 1 illustrates part of this conceptual framework, while the next section builds on it for the purposes of this paper.

Table 1: Three approaches to organisational capability – their assumptions and related features (adapted from Hong & Stahle, 2005, pp. 4-5)

Features	*Approach 1: Capability as resources*	*Approach 2: Capability as integration abilities*	*Approach 3: Capability as innovative learning processes*
Basic assumption	equal to resources, or to configurations of resources, affecting workplace activities	ability to use and manage resources	not yet there, but created and constructed through daily practices and activities
Focusing issue	capability of obtaining resources	capability of applying and managing resources	capability of continuously creating and renewing resources/competencies
Resource-capability relation	resources = capability, resources and capability are pre-assumed	resources ≠ capability; resources pre-assumed, capability not	resources and capability are not pre-assumed but inseparably constructed
Time dimension	skills needed at present	preparing for challenges of the near future	capacity to create new knowledge needed in the more distant future
Possible theoretical tradition	resource-based theory/view of the organisation	evolutionary theory/view of the organisation	knowledge-based theory/view of the organisation

What do VET providers say about organisational capability?

Analysis of interviews with staff at four levels in ten RTOs across Australia provided some evidence on how these three approaches to organisational capability play out in practice. Table 2 summarises examples of foci within each approach.

Table 2: Three approaches to organisational capability – examples of foci (from interviews with RTO staff)

Features	Approach 1: Capability as resources	Approach 2: Capability as integration abilities	Approach 3: Capability as innovative learning processes
Examples of foci as seen in case studies for the National VET Research Consortium	obtaining more finance, how and where to obtain more staff, capital works, procuring up-to-date equipment (e.g. from industry), training, compliance, management procedures	partnerships/alliances, new HR practices to extend individuals, new PD models, performance management, working in industry, some CI practices, changing organisational structures, management-leadership	innovation, taking risks, allowing mistakes, continuous improvement and renewal, learning culture, self-managed / cross-functional teams, knowledge generation at all levels, leadership at all levels

Approach 1: Capability as resources

In Approach 1, many interviewees described their organisational cultures as 'terribly bureaucratic and centralised' (TW), 'public service' (MM), 'a culture of grievances and complaints' (MM), 'a culture of compliance' (MM), 'very corporate, motivated by a lot of people out to make good for themselves' (MM), 'very top heavy' (MM) and 'cultural silos around disciplines and ways of thinking' (MM). Such cultures were categorised as 'change averse' (MM).

They also saw their structures as 'layers of bureaucracy' (SM) or 'constituencies based on power or power maintenance' (SM). It was clear that in the majority of organisations, interviewees felt to varying degrees the weight of 'the historical baggage that we carry from … merged institutions' (SM), 'the history that comes into play, particularly if people have been in the separate organisations for a long time' (E). As a consequence, a common lament was:

> At the organisational culture level, we have these layers of bureaucracy in the silos and all sorts of other barriers that stop people from being efficient, innovative risk-takers that would allow us to really go onto exploit the intellectual capital that we have … there are positives, but they are ameliorated by the organisational baggage (SM).

Another frequent cry was, 'We have been structurally battered in the last 12 years!' (MM) in attempts to move onto other Approaches. Some, though, did not believe that structure was the issue, providing a clue as to how to make such a transition:

> … in the end, it's the quality of relationships and how structures don't interfere that really matters. The changing of structure won't fix anything if the relationships are appalling… Restructures are distracting, protracted, leave a lot of injury – deep-seated emotionally (SM)

In this Approach, staff saw superiors as managers of such cultures and structures, and generally were critical of their top-down styles. 'Pissing on fires' (TW) was how one

teaching team saw their management, whom they felt were 'losing focus – on marketing, budgeting etc. instead of on students', while others saw the managing of 'systems instead of students' and the 'meeting of KPIs' (SM).

There was a reported tendency for 'people without a strong focus on core business to make decisions about finances and resources, and expect core business areas to fall in line' which was 'a sign of organisations that have become stressed, where the essence of what you are on about is not the area making the decisions' (SM). In these organisations, the focus was on searching for 'extra funding' (SM), 'solving funding issues' (TW) and trying to obtain more teaching staff in the face of skill shortages (SM).

Approach 2: Capability as integration abilities
In this Approach, interviewees viewed culture more in terms of 'increased links with industry' (SM), 'a lot more attachment to industry, we're a lot more reliant on them' (MM), a 'high level of focus on quality' (SM), 'continuous improvement rather than old-fashioned compliance' (SM), and 'embedding continuous improvement by linking planning and business outcomes' (SM). Here, the emphasis was on getting 'the right people in the right positions' (E), in supporting staff who want to stay 'on the bus' and helping those who don't 'to buy a ticket for another bus' (SM), and in 'twigging that there were possibilities beyond our region … Once we made that breakthrough, we now make most of our money outside the region' (MM).

In place of or as well as staff training activities, there was evidence of 'mentoring, coaching or shadowing', though it was usually 'up to the individual to arrange it through their team leader' (SM). There was also an emphasis on 'putting a lot of effort into induction support for people coming to work here to help with their transition' (SM). Another strategy for breaking down barriers and shifting culture was 'moving people like bees' to pollinate elsewhere, trying 'to make a culture that accommodates diversity' (SM).

Approach 3: Capability as innovative learning processes
In the third Approach, observed in only a very few institutions, interviewees spoke about a 'can-do culture … when things started to open up' (MM), and cultures that supported responsiveness, flexibility, innovation and empowerment, that were open and transparent, involved devolution of decision-making and resources to the level where they were appropriate to 'breakdown bureaucratic structures' (SM). They referred to 'instilling confidence' and the use of 'rewards and incentives … it is critical to keep some of the profits from commercial activity for this purpose' (SM), where 'transparency breeds trust' (SM), there was 'freedom to make mistakes' (SM) and people were 'braver to have a go' (MM). As one middle manager expressed it:

> … the rope was let loose, and people were given the freedom to make mistakes, and we weren't admonished for it. What was expected was for us to try, and then question what you learnt from it if it was not successful. People have been game to try that. In this institute, the growth in attitude and in people in the last 3-4 years has been amazing. (MM)

Another said, 'It's okay to make mistakes. In the past it was considered better to ask forgiveness after the event. People don't take that approach now… people know that they can take that risk' (MM). With that freedom came confidence, where staff 'had every right to challenge everything' (MM).

In these organisations, leadership as well as management was displayed at many levels, and, importantly, recognised by all levels in the organisation. It was 'strategic based on continuous improvement' (SM). One institute expressed 'a mantra' of 'a team of teams' as an innovative approach to people management (SM). Another said that 'there is a lot of sharing in this institute – there's not as much fierce competition between faculty managers' (MM). Transparency was another often-mentioned characteristic in Approach 3: for example, 'everybody sees everybody's budget within the faculty… it's very transparent. With that comes trust and business literacy and that is really important for the culture. And that is the biggest thing that has moved this culture forward – the business literacy that's happened with all the groups' (MM). One institute shifted into a model of 'global budgeting', where 'we will give you x hundred dollars and you do with it as you see fit. So you suddenly saw that they had more control and ownership' (MM). While there was acknowledgement of the issue of trying to 'keep the foot on the pedal', they found that even though people would 'purchase in the same way as what we'd allocate… there's more ownership and self-direction' (MM).

The 'can-do' culture was seen to energise staff: 'yes, you can do it and you have got our support. It sounds very simple, but that is a critical lever of change' (MM). It was seen to empower staff. Said one interviewee, 'the biggest change I have seen is the sections taking ownership and leadership of decisions, and being given credit and the reins to do that' (E). In another institute, cultural change was claimed to be initiated by 'organisational democracy… by giving people a voice' (SM). Standing committees with representation from across the organisation helped to bring about 'a significant cultural shift … a chucking the cards into the air sort of change' (SM). Another approach was to instal an electronic tool for monitoring performance, a management system to keep daily information 'at our fingertips … it becomes my Bible' linking such essentials as performance contracts, finance, HR and so on in 'an evolving process… we keep adding to it' (SM).

Workshops were conducted on leadership for those at different levels, there were improvement teams around each business process (SM). Professional development was seen as 'a huge way of getting cultural change' (MM). In one institute, advisory groups comprised half staff and half industry representatives in an attempt to build capability. Cross-functional teams were seen as a way of working in the future, and some organisations were using them. Sometimes these were groups where there was a 'vertical slice of the faculties when you put teams together' (MM), and at other times they were 'horizontal slices across faculties… and across functional units too' (MM).

It was noticeable that interviewees in the organisations that were not in Approach 3 almost always wistfully mentioned similar attributes when asked at the end of the interview for changes that they would like to see made to improve their organisation's capability. For example, one said when asked this question,

> Get rid of half the people we have now and hire new people with different ideas… [but] that is never going to work because we have a problem in hiring people now… We need to transform how we do our business, we need to drag ourselves out of the 1970s and start acting like a modern, agile corporation whose core business is education (MM).

Conclusion

The paper has explored the notion of organisational capability using recent literature as well as findings from the National VET Research Consortium's work. While the concept continues to remain elusive, there are a number of elements that can be identified, and the evidence from the research indicates many different attempts to configure these various elements into a shape that 'fits' the unique environment of each VET provider. Evidence from the research so far suggests that there is a spread of organisations across the conceptual framework used in this paper – from capability as resources, through capability as integration abilities, to capability as innovative learning processes. While the majority of the organisations examined here appear to lie in the first two categories, there are a few exhibiting several of the characteristics of the third category. It is to these latter organisations that we should turn for good practice.

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