

ORGANIZATIONAL CAPACITY AND ITS CONTRIBUTION TO ORGANIZATIONAL LEARNING AND KNOWLEDGE: A REVIEW OF THE LITERATURE

Key words: Organization; capacity; knowledge; learning; context

Short abstract

A rapid evolution in the field of organizational knowledge, learning, capacity and capabilities has led to divergent as well as overlapping interpretations, and a need for greater clarity and synthesis of related concepts. The literature has tended to focus on an organization's internal dynamics, and has placed less emphasis on the influence of the external environment for understanding organizational knowledge and learning processes and outcomes.

Organizational capacity is a rich concept that has been overlooked in the literature but which contributes to explanations of the relationship between the organization's particular environment, and utilization of its internal potential, including organizational knowledge, for future performance.

This literature review, which preceded longitudinal empirical investigation of capacity, identifies key themes and gaps and draws attention to the application of organizational and management theory in particular contexts to develop generic organizational learning theory.

This paper examines: overlaps and differences between the capability and capacity approaches; conceptualizations of organizational capacity; and the need for theoretical and empirical investigation of organizational knowledge and learning appropriate for a range of contexts.

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ABSTRACT

A rapid evolution in the field of organizational knowledge, learning, capacity and capabilities has led to divergent as well as overlapping interpretations, and a need for greater clarity and synthesis of related concepts (Easterby-Smith and Lyles, 2005). The literature has tended to focus on an organization's internal dynamics, and has placed less emphasis on the influence of the external environment for understanding organizational knowledge and learning processes and outcomes.

Organizational capabilities have recently attracted scholars' attention. Debates on the dynamic capabilities approach have focused on change in internal organizational resources and routines, in which the role of learning is critical. There is an increasing acknowledgement that factors in specific contexts may influence the dynamism and impact of organizational capabilities (Easterby-Smith and Prieto, 2008).

By contrast, organizational capacity is a rich concept that has been overlooked in the literature on organizational learning and knowledge. The concept of organizational capacity contributes to explanations of the relationship between the organization's particular environment, and utilization of its internal potential, including organizational knowledge, for future performance.

It has been argued that there has been a relative lack of attention to how the organizational context affects dynamic aspects of organizational relationships (Porter and McLaughlin, 2006). Within the mainstream body of research into organizational knowledge and capacity, there is much that relates to the private world of business and relatively little research into the extent and processes of capacity and knowledge management in public, governmental and professionalized organizations (Nicolini et al, 2008).

This literature review preceded longitudinal empirical investigation of organizational capacity. It reveals a paucity of academic literature on organizational capacity, as well as a lack of agreement on a definition, and so this paper identifies key themes and gaps. The paper draws attention to the application of organizational and management theory in particular contexts, to develop generic organizational learning theory.

The review contributes to organizational theory and practice in the following respects. First, this paper examines the key debates on dynamic capabilities; and absorptive capacity; and places emphasis on the importance of organizational knowledge and learning which underpin both concepts (Newey and Zahra, 2009). I discuss linkages, overlaps and differences between the capability and capacity approaches.

Second, I examine whether the concept of organizational capacity can be clearly distinguished and clarified so that it can make a useful contribution to organizational studies. The key themes and the inter-relationships between them indicate some of the problems in clarifying concepts that are ambiguous and that have been developed primarily in private sector contexts. This paper identifies research studies that have

different underlying conceptualizations of organizational capacity, and partial definitions draw from a range of perspectives.

Third, I examine the problematic nature of organizational context and suggest that a focus on public organizations may help to expand knowledge about the field of organizational capacity across all types of organization. Literature on organizational learning, knowledge, capability and capacity has been developed primarily in the context of competitive, commercial environments, so there is a need for conceptualizations and research which take into account different environmental and institutional characteristics that are appropriate for a range of contexts.

Finally, I present conclusions and suggestions for further research.

References are available on request.