The Rhetoric and Reality of Developing Human Capital in the Organization: A Case Study

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January, 2005

This dissertation is submitted to the University of Cambridge in partial fulfillment of the requirements for the degree of Doctor of Philosophy
DECLARATION OF ORIGINALITY

This dissertation is the result of my own work and includes nothing, which is the outcome of work done in collaboration, except where otherwise referenced. No part of the dissertation has been previously submitted to any university in pursuit of other academic qualifications. The work complies with the regulations of the Judge Institute of Management Degree Committee in regard to word length.

Somboon Kulvisaechana

Peterhouse, Cambridge
January 12, 2005
“Reach for the stars, you may not quite get one, but you won’t come up with a handful of mud either.”

- Leo Burnett
ABSTRACT

Substantial research on the significance of human capital has shown its potential for value creation within organizations. While researchers have recognized the essential dimensions of human capital concepts, scant attention has been paid to the linkage (and lack of linkage) between the intentions of management and the practical implementation of human capital initiatives. Equally important, there is a deficiency in the literature concerning the empirical examination of human capital development in an organizational context.

This research aims to empirically explore the nature of corporate rhetoric in developing human capital and how it evolves and becomes embedded within an organization. Through a comprehensive examination of human capital theories and practices, the study intends to investigate the relationship between espoused theory and theory-in-use, by identifying the key dimensions of human capital development. This work sets forth a conceptualization of how a large organization binds together a bundle of competitive resources to develop human capital. It essentially extends beyond previous research that attempts to measure and quantify the impact of human capital on organization performance, while leaving the social construction of human capital initiatives unexplored. In particular, the research examines the sensemaking of individual employees, including managers, and how the introduction of human capital is selected, enacted and retained by organizational members. This research therefore aims to broaden the understanding of how human capital principles are constructed, absorbed and challenged within the organization.

Following the logic of inductive research, a qualitative case study with multiple units of analysis is carried out. In order to gain insight on the depth of the human capital development process, a large firm in the food industry operating in the Nordic region is selected. Data are collected by means of focus groups, questionnaires, archival analysis and interviews with external consultants, senior executives, managers and employees from various departments across the business units.

The research findings reveal that a number of key dimensions can distort the rhetoric of human capital, including corporate strategy, organizational structure and human resource management, through the cognitive frames of individuals. Each dimension contains several critical issues capable of determining the success or failure of human capital development. The research suggests that senior managers construct rhetoric that has to be absorbed by multiple audiences, and that in some cases a counter-rhetoric of human capital is formed. Middle managers and employees interpret the human capital rhetoric, shape and alter it in their own interests. Ambiguity and ignorance over human capital is followed by pragmatic assessment and refinement on the part of employees, with the initial human capital program iteratively amended as it passes through the organization.
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Apart from those, my deepest appreciation is extended to those who are involved in the research and all participants/respondents/interviewees for their precious time as well as rich data obtained over the course of focus groups, questionnaires and interviews. Without their cooperation, this research project would not have been possible.

Distinctive acknowledgment of full funding for my academic degree is kindly dedicated to Thammasat University, Thailand. The unwavering support from the faculty members of Faculty of Commerce and Accountancy, Thammasat University, is very much appreciated.

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Part I

Theoretical and Methodological Perspectives
Chapter 1
Introduction

“Vision without action is merely a dream. Action without vision just passes the time. Vision with action can change the world!”
- Joel Arthur Barker

1.1 Research background
Human capital generally refers to a repertoire of knowledge, competency, attitude and behavior embedded in an individual (Youndt et al., 2004; Rastogi, 2002). It has gained increasing recognition among organization and management scholars because of its promise to deliver competitive advantage (Gratton, 2000; Pfeffer, 1994b), create value (Rastogi, 2002; Mayo, 2001) and secure long-term economic growth (Tomer, 2003; Chuang, 1999). The growing emphasis on human capital in organizations reflects a view that market values depend less on tangible resources and more on intangible resources, particularly human resources (HR) (Edström & Lorange, 1984).

The development of the resource-based view of the firm (Barney, 1991; Penrose, 1959), together with influence work in strategy on organizational core competencies (Hamel & Prahalad, 1994), has placed the role of human capital center stage within organizations. People and people processes, it is claimed, create competitive advantage chiefly through the characteristics of being (potentially) valuable, rare, hard-to-imitate and non-substitutable (Wright et al., 1994). This means that a link between HR practices and the firm-specific nature of particular organizations can foster uniqueness and create high barriers to imitation (Becker et al., 2001; Wright et al., 2001). In order to build a competitive advantage, organizations need to define what human capital really means and how to deliver effective human capital development. As some scholars state:

“…HR leaders [need] to know that the work they’re doing is among the most important work that anybody can do. Human capital is, and should be, the center of any business.” (Rosner, 1999: 41)

“[Human capital is] generally understood to consist of the individual’s capabilities, knowledge, skills and experience of the company’s employees and managers, as they are relevant to the task at hand, as well as the capacity
to add to this reservoir of knowledge, skills, and experience through individual learning.” (Dess & Picken, 1999: 8)

Such a philosophy requires, it is argued, a strategic approach to managing people, implementing solutions for evaluating workforce capability, identifying skill gaps areas and improving employees’ productivity, performance and well-being (Mayo, 2001). Strategic issues such as increasing firm’s performance (Maruping, 2002), designing competencies (Nordhaug, 1998), human capital measurement (Critten, 1994), returns on investment of human capital (Fitz-enz, 2000), benchmarking (Huang et al., 2002) and resource allocation (Lepak & Snell, 1999) have been tackled.

In the literature, the rhetoric of human capital has become a dominant discourse, and its elements are assumed to be well understood, rational and executable. Much of the work on this area has been pursued at a largely prescriptive level, given the connection between human capital and positive organizational outcomes generally assumed (e.g., Cunningham, 2002; Richard & Johnson, 2001). Methodologically, studies that have examined human capital issues (e.g., Fitz-enz & Davison, 2002; Fitz-enz, 2000; Friedman et al., 1998) have been undertaken using quantitative data sets that, by their design, been at one or two steps removed from the lived experiences of human capital development. But how a human capital approach is designed, implemented and experienced within organizations remains relatively unknown; it is the purpose of this dissertation to address such a gap. Human capital has become, like business process reengineering, an example of a rapidly developing management fashion (Abrahamson, 1996) with many claims made for it. By building on the works of Crutchfield (2000) and Nordhaug (1993), this research aims to examine the potential gap between the rhetoric (what is being stated in policy) and the reality (what is being experienced) of human capital in an organization, and the causes and conditions under which a gap can occur. The present study also seeks to build a framework of human capital development that is grounded in a detailed, in–depth analysis of both architects and recipients of a human capital program.

1.2 Significance and purpose of the study

Although human capital has been the focus of research at the national level (Roach, 1996), it is at the organizational level that current attention has turned (Nordhaug, 1993). People may be the most ultimate valuable resource of an organization, but the worth or value of this resource may be minimal if the organization fails to leverage it (Jackson & Schuler,
2003; Ulrich, 1997b). Recent evidence reveals that many organizations have not paid close sufficient attention to human capital development, leading to an under-utilization of the talent in the workforce (Kingsmill, 2001).

An area where there has been particularly scant attention paid is, within companies that have claimed to foster human capital development, whether human capital has been actually embedded within the firm and the extent to which employees have embraced it as a workable set of principles. In human capital research, a number of studies have shown that organizations may have adopted human capital concepts in principle but the actual use of them in any pragmatic sense has been sparse or a mere formality (e.g., Gratton et al., 1999; Legge, 1995; Watson, 1995; Jain & Murray, 1984). Thus, the gap between the management’s intentions and the actual implementation of human capital development becomes an important research area which remains under-explored.

The main purpose of this research is to investigate empirically the relationship between espoused theory and theory-in-use (Argyris, 1988) of human capital development in an organization. The study aims to focus on the following central objectives:

• to gain a richer understanding of human capital development in an organization;
• to explore the interplay between rhetoric and reality in the development of human capital within an organization; and
• to build theory in explaining how human capital becomes embedded (or not) within an organization.

1.3 Overview of research design and contribution
An exploratory case study design has been selected for this research. The essence of case study theory lies in an empirical inquiry that “investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.” (Yin, 1994: 13) There are two distinctive reasons that justify suitability of the case study approach.

• First, the case study design allows the researcher to concentrate on understanding the dynamics of the gap between what is espoused and what is enacted in human capital development.
• Second, the “how” and “what” questions enable diverse perspectives of human capital in an organization to be explored.

Given that in-depth explorations of human capital development in an organization remain rare, an exploratory case approach with multiple research methods applied is appropriate. The research process of this study encompasses three major phases:

1) Research formulation: setting research inquiries, reviewing the literature, selecting a case study and securing access to information.
2) Data collection: conducting focus groups, distributing questionnaires, interviewing key informants (see Appendix A) and gathering relevant written materials.
3) Data analysis: performing content analyses, developing thematic findings, conceptualizing a framework for the findings, analyzing them in the discussion and summarizing the results in the conclusion.

This research sets out to make a contribution to the field of human capital development in various respects, as briefly described below.

• First, through adopting an exploratory, qualitative approach, the author is able to contribute to the small but growing body of empirical work in the field. By focusing on in-depth reports by senior managers who have designed human capital initiatives and middle managers and employees who have been recipients of human capital initiatives, the micro-processes of human capital development can be drawn out and assessed. This study responds to calls made by a number of scholars (e.g., Crutchfield, 2000; Delery & Doty, 1996; Nordhaug, 1993) to develop a more empirically grounded understanding of human capital development in an organization.

• Second, the research illuminates the processes that develop between human capital principles and their introduction and implementation within an organization. In previous research, problems of human capital initiatives are considered to be failures of design, communication or cost (Crutchfield, 2000). However, in this dissertation, a number of dimensions are identified as restricting acceptance of human capital, including the nature of the strategic, structural and HR management rhetorics and the sensemaking activities of employees. The study presents a framework in which these issues are integrated.
• Third, the study suggests that the development of human capital, in contrast to major prescriptive statements in the field, is not determined solely by senior management activity, but is rather the outcome of an iterative interaction between many levels of employees. In other words, as the rhetoric passes through the organization, it is amended and emerges as a different set of issues to those that are at its inception.

• Fourth, the prescriptive literature suggests that the benefits of human capital are evident and to be valued. In contrast, the critical HR management literature (Legge, 1995; Townley, 1993) suggests that such a fashionable management technique may be used as a heightened form of control. This study finds that a number of employees agree that work has intensified following the introduction of human capital principles and that assessment on individuals’ adherence to the human capital program fed into decisions on the organization’s downsizing program.

• Fifth, the study delivers recommendations on the managerial implications of the research. That is, there are a number of critical lessons that senior managers need to consider for improving future human capital initiatives: over-promising, mixed messages concerning human capital strategies and outcomes, insufficient training for employees on human capital issues, inadequate time and incentive for organizational members to devote themselves to the human capital program, and the lack of attention paid to the variations within the workforce in terms of communication and delivery.

1.4 Structure of the dissertation
The structure of this dissertation is composed of two main parts (see Figure 1.1). The first part covers theoretical and methodological perspectives through the relevant literature reviewed and research methods selected for the study (Chapters 2 and 3). The second part provides an insight into the case findings and their analysis, together with empirical discussions and conclusions (Chapters 4, 5 and 6). Brief descriptions of the chapters are presented below:

• Chapter 1 sets the scene for the present study by providing the research background on human capital in organizations. It also elucidates the importance and purpose of the study, research design and the structure of the dissertation.

• Chapter 2 reviews the literature on human capital research, and argues that a gap is apparent for studies that investigate in-depth human capital within organizations.
• Chapter 3 proposes a research design and process of investigation for this case study, specifically, a multi-method approach or “triangulation,” combining focus groups, questionnaires, semi-structured interviews and archival data sources.

• Chapter 4 features an investigation of the exploratory findings and presents the major themes to have emerged.

• Chapter 5 presents a discussion of the main findings and examines them in the context of existing theories. A key element of the chapter is the development of an framework of human capital adoption and acceptance

• Chapter 6 concludes the study with a summary of the key findings. Both theoretical and managerial implications of the study are discussed. This final chapter also comments on the limitations of the research and areas for future research.

Figure 1.1  Summary of the dissertation structure

Chapter 1

Introduction - Highlight an overview of the study, encompassing research background, significance of the study, research aim and research design.

Part I – Theoretical and Methodological Perspectives

Chapter 2

Literature review - Provide a review of pertinent literature on human capital and critical views of human capital in an organization.

Research methodology - Detail the research approach through the context and methods utilized to explore the domain of human capital development.

Part II – Empirical Analysis and Conclusions

Chapter 3

Case findings - Present the major findings of the qualitative research and develop key themes.

Discussion - Analyze the findings with regard to the existing theory in the field and explore the dimensions of the framework developed.

Chapter 4

Conclusions - Summarize the key points of the study and identify limitations and issues for future research.

Source: The author
“The most valuable of all capital is that invested in human beings.”

- Alfred Marshall

2.1 Chapter overview
This chapter reviews the literature on human capital and examines three key areas: human capital theory, including its definition, evolution and related themes; human capital and complimentary capitals; and critical perspectives on human capital. The strengths and potential downsides of human capital are identified. Their discussion also encompasses the potential gap between human capital intentions and their actual implementation, or the difference between rhetoric and reality, or espoused theory and theory in use (Argyris, 1992, 1988). This study shows that in-depth empirical examination of human capital programs within organizations are rare and provides a strong rationale for the research.

2.2 Definitions of human capital
Before discussing how firms can develop human capital, it is important to define what is meant by the term “human capital.” The literature to date provides a wide range of human capital definitions, comprising both economic and managerial perspectives, as shown in Table 2.1. Although human capital theory originally develops as a contribution to theories on economic growth, a number of organization theorists have used human capital principles to explain how firms can create competitive advantage through developing individuals’ human capital (Garavan et al., 2001; Ulrich, 1998a; Nordhaug, 1993).
Table 2.1 Human capital – Some definitions in reference

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<th>Authors</th>
<th>Definitions of human capital</th>
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<tr>
<td>Becker (1964)</td>
<td>The stock of knowledge, skills and abilities embedded in an individual that results from natural endowment and subsequent investment in education, training and experience.</td>
</tr>
<tr>
<td>Parnes (1984)</td>
<td>The abilities and know-how of men and women that have been acquired at some cost and that can command a price in the labor market because they are useful in the productive process.</td>
</tr>
<tr>
<td>Seligman et al. (1997: 3)</td>
<td>Any quality specific to and un-detachable from a person that allows her (or him) to perform economic tasks more efficiently, vigorously, or consistently – or allows her (him) to lead a happier life.</td>
</tr>
<tr>
<td>Galunic &amp; Anderson (2000: 3)</td>
<td>Know-how, information, relationships, and general relationships, and general capabilities that individuals bring to bear on behalf of the firm through the employment relation.</td>
</tr>
<tr>
<td>Rastogi (2000: 196)</td>
<td>Highly skilled, creative, motivated, collaborative and knowledgeable people who understand the dynamic business environmental context, and the competitive logic of their enterprises; and the critical requirements thereof.</td>
</tr>
<tr>
<td>Mayo (2001)</td>
<td>A capability, knowledge, skill, experience, and networking, with the ability to achieve results and the potential for growth; individual motivation in the form of aspirations, ambition, drives, work motivations and productivity; work group effectiveness in the form of supportiveness, mutual respect sharing and value; leadership in the form of clarity of vision and ability to communicate that vision; organizational climate in the form of culture particularly the freedom to innovate, openness, flexibility and respect for the individual.</td>
</tr>
<tr>
<td>Gratton &amp; Ghoshal (2003)</td>
<td>The composite of an individual’s intellectual, social and emotional capitals by which it is suggested that “volunteer” employees need to align their personal values with work to reflect the most satisfying passions on a human aspiration, thereby continuously improving on one’s own knowledge, relationship and sense of self-efficacy.</td>
</tr>
<tr>
<td>Weatherly (2003: 1)</td>
<td>The collective sum of the attributes, life experience, knowledge, inventiveness, energy and enthusiasm that its people choose to invest in their work.</td>
</tr>
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</table>

Source: The author

Through these definitions there is a clear emphasis on human capital as the knowledge, skills and abilities of individuals (Youndt et al., 2004), and the author takes this as the definition of the concept for the present study.

Despite the proliferation of human capital definitions in the literature, a number of key elements seem to be common, encompassing knowledge, experience, trained skills, endowed abilities, attitudes and behavior (Davenport, 1999a). In support of this view, Snell & Dean (1992) propose three attributes of human capital components. First, skills and knowledge characterize capital because of their ability to enhance productivity. Second, human capital is developed through a firm’s deliberate investment on either hiring capable people on the market or providing them with internal training. Third, human capital may
somehow influence a labor market price because it is valuable to firms and, more importantly, transferable to other organizations. Notably, these proposed attributes of human capital mainly involve people’s knowledge, skills and abilities that are of economic value to the firm. Therefore, it can be viewed that firm investments to increase them through, for instance, training initiatives tend to be determined by future returns to the firm in the form of increased productivity (Youndt et al., 1996).

2.3 The emergence of human capital theory
The importance of understanding the motivations and social needs of individuals at work and how this can potentially increase production and improve the process of management is the major contribution of the human relations movement (Roethlisberger & Dickson, 1939). Work in the neo-human relations tradition also places an emphasis on the psychological and social factors that can lead employees to perform highly, from Maslow’s emphasis on human needs (Maslow, 1943), Herzberg’s postulation of two sets of factors – hygiene and growth – in his theory of motivation and satisfaction (Herzberg et al., 1959), McGregor’s Theory X and Theory Y (McGregor, 1987), and Argyris’s focus on the effects of the formal organization on individual development within the organization (Argyris, 1960). The evolution of human capital theory is firmly located within this tradition, and can be divided conceptually into two broad approaches: macro and micro. The macro strand essentially reflects the economic view on human capital, whereas the micro perspective focuses on the impact of human capital development at the organizational level.

2.3.1 Macro orientation: Economic perspectives
The origin of human capital theory stems from economists’ interest in incorporating human capital into economic growth equations (Chuang, 1999; Nordhaug, 1993). Most of the human capital articles feature macroeconomic perspectives, ranging from national education to the labor market. Theodore W. Schultz and Gary S. Becker, Nobel Prize Laureates for Economic Science in 1969 and 1992, respectively, develop the theories of human capital in terms of growth and development. Schultz’s work concentrates on education as a key to raising productivity, and lead to the modern emphasis on human capital as a factor in production. As Schultz (1971: 54) argues: “education is one of the major sources for economic growth after adjusting for differences in innate abilities and associated characteristics that affect individual earnings.” His research contribution, in fact, paves the
way for Becker’s more elaborated analyses of human skills as a source of productivity growth, applicable to innovations in labor economics (Becker, 1976).

The starting point of Becker’s human capital theory lies in both schooling and on-the-job training, which aim to enhance workers’ natural abilities and to increase their individual productive capacity over time (Josefek & Kauffman, 1998). Also, it is based on the idea that the economic well-being from investments in both general and firm-specific human capital (Galunic & Anderson, 2000; Lazear, 1998; Becker, 1964) outweighs the economic value of the physical capital in the long run.

To elaborate these views, Nerdrum & Erikson (2001) and Galunic & Anderson (2000) assert that general human capital is acquired through schooling and experience on the job which adds value to the individuals and affects their earnings differences. However, it is argued that their general human capital is normally deployable across the same jobs at other firms to produce relatively similar benefits (Finegold et al., 2002). In other words, employees who invest in education to leverage their skill level can justify higher earnings as a result of their investment in different organizations. As Schultz (1971: 36) states:

“While any capability produced by human investment becomes a part of the human agent and hence cannot be sold, it is nevertheless in touch with the marketplace by affecting the wages and salaries the human agent can earn. The resulting increase in earnings is the yield on the investment.”

On the other hand, specific human capital is acquired through formal and informal on-the-job training. This includes firm-specific and job-specific skills that enable people to perform more productively at a firm providing training than at a firm that does not. Trained workers are normally paid a premium for specific skills, which is higher than they might be worth to another firm (Galunic & Anderson, 2000). The reason is that they are tied to organizational politics, corporate culture, communication channels, customer needs of a firm and interpersonal networks within a particular organizational context (Nordhaug, 1998). Specific skills are not easily transferable across firms. Therefore, specifically trained workers seem to accumulate more bargaining power than those with general skills (Green & Montgomery, 1998).

From these arguments, a major issue within organizations becomes: how do firms invest in human capital development of current employees at rates required to keep them
employable? As human capital grows in significance, how can employers capitalize on individuals’ potential?

2.3.2 Micro orientation: Organizational perspectives

Early writings have focused on the economic value of human capital which leads to a high propensity for firms to adopt it (e.g., Mayo, 2001; Oliver, 2001; Daly, 1998; Pfeffer, 1994b). Since the rate of return on investment in human capital exceeds that of return on investment in physical capital (Bassi et al., 2000), some strategic management researchers have turned their attention to the theme of this “invisible and strategic asset” (Hall, 1993; Itami & Roehl, 1987) with a particular emphasis on the idea of competency, as put forth by Fiol (2001), Manfield (1996) and Hooghiemstra (1994). In a sense, competency is defined as “individuals’ knowledge, skills, abilities and other characteristics that differentiate high from average performance.” (Mirable, 1997: 75) This definition of competency seems to resonate with the definition of human capital suggested by Youndt et al. (2004). Therefore, Rastogi (2000) proposes that, in order to develop human capital, a firm needs to employ the competency-based framework of HR generic functions: selection, appraisal, promotion and compensation (Marchington & Grugulis, 2000; Schuler & Jackson, 1999; Yeung et al., 1994; Tichy et al., 1982).

Previous studies have been based on the notion that applications of the HR competency can create competitiveness of organizations (Ulrich, 1997b; Burgoyne, 1993; Prahalad & Hamel, 1990). While some commentators argue that the HR competency itself can be considered a source of competitive advantage (Yeung et al., 1996), others provide alternative views that people’s shared identity (Foil, 1991; Albert & Whetten, 1985) and shared knowledge (Sveiby, 2001; Nonaka et al., 2000) contribute to a firm’s competitive advantage. As theories of strategic management have turned inward toward resource-based view of the firm, where competitive advantage increasingly resides in a firm’s ability to learn and change through people, the human competency becomes increasingly important to generate positive performance (Barney & Wright, 1998).

The following sections provide a brief literature review of the relationship between human capital and the resource-based view theory (RBV) (Section 2.3.2.1), followed by analyses of human capital in relation to strategic human resource management (SHRM) (Section
2.3.2.2) and critical issues with human capital in view of performance linkage (Section 2.3.2.3).

2.3.2.1 Human capital and the resource-based view theory

Within the strategy literature, the issue of what contributes to competitive advantage has seen a shift in emphasis away from a focus on the external positioning in the industry toward an acknowledgement that internal resources be seen crucial to sustained competitiveness (Bartlett & Ghoshal, 2002; Wright et al., 2001a; Olalla, 1999). The work of Penrose (1959) represents the beginning of the resource-based view of the firm, later articulated by Rumelt (1984), Dierickx & Cool (1989) and Barney (1995, 1991). The RBV is found on the assumption that individual organizations build a valuable set of resources, both tangible and intangible, and bundle them together in unique ways to generate economic rent (Foss, 1996; Castanias & Helfat, 1991; Conner, 1991; Wernerfelt, 1984). In other words, it is argued that competitive advantage is no longer dependent, as traditionally assumed, on such bases as external resources and technology, since these are increasingly easy to imitate (Black & Boal, 1994). Rather, competitive advantage is, according to the RBV, dependent on the extent to which a firm optimizes resource endowments and deployments within an organization (Prahalad & Hamel, 1994; Reed & DeFillipi, 1990). In order to be considered a source of competitive advantage, resources must meet four criteria: value, rarity, inimitability and non-substitutability (Priem & Butler, 2001; Wright & McMahan, 1992; Grant, 1991). Building on this theoretical perspective of the RBV, De Saá-Pérez & García-Falcón (2002) and Wright et al. (1994) argue that human resources also meet the RBV conditions for being a source of competitive advantage, as outlined below.

Value: Regarding value creation through human resources, Boxall (1996) points out that the interplay between inner core employees (i.e., managers, strategists, technical specialists) and outer core employees (i.e., committed employees with appropriate industrial skills) is critical to a firm’s success. The adaptive capacity from the inner core employees and the operational capacity from the outer core employees must be orchestrated to generate value:

“All firms must build and defend a satisfactory inner and outer core to secure viability with acceptable profit performance in any environment subject to alternating periods of crisis [when the adaptive learning of the inner core is critical] and stable growth [when the dependable services and incremental learning of the outer core are critical].” (Boxall, 1996: 268)
Rarity: Human resources are rare because it is difficult to find people who can produce and maintain high performance levels in an organization due to labor market’s heterogeneity (Wright et al., 1994):

“If the types and levels of skills are not equally distributed, such that some firms can acquire the talent they need and others cannot, then (ceteris paribus) that form of human capital can be a source of sustained competitive advantage.” (Snell et al., 1996: 65)

Inimitability: This notion emerges from the difficulty in duplicating human resources’ knowledge, abilities, experience and behavior, at least in the short term. There are two main reasons why human resources may be difficult to imitate. The first is causal ambiguity (Lado & Wilson, 1994), which arises when it is unclear to identify the precise mechanisms by which HR practices interact to create value. The second is path dependency (Becker & Gerhart, 1996; Barney, 1991); describing how a competing firm is precluded from immediate imitation of HR policies and practices:

“First, it is difficult to grasp the precise mechanism by which the interplay of human resource practice and policies generates value…second, these HR systems are path dependent. They consist of policies that are developed over time and cannot be simply purchased in the market by competitors.” (Becker & Gerhart, 1996: 782)

Wright et al. (1994) also argue that unique historical conditions are difficult to imitate because they can determine a firm’s place in time and space to acquire or utilize resources. Also, there may be limits to the management’s ability to reproduce socially complex elements, such as interpersonal relationships, culture and workforce diversity, therefore hard to imitate (Richard, 2001; Amit & Schoemaker, 1993).

Non-substitutability: Human resources are difficult to replace because they possess diverse capacities to adapt to different environments, and those who are able to create value in one context may be unable to do so in others, as asserted by Wright et al. (1994: 312):

“…a [human] resource must not have substitutes if it is to be the source of a sustained competitive advantage…It is important to note that human resources are one of the few firm resources which have the potential to a) not become obsolete and b) be transferable across a variety of technologies, products and markets.”
Given the underlying foundation of HR within the RBV context, Rastogi (2000: 202) argues that human capital (i.e., knowledge, skills and abilities) too constitutes “the ultimate source for sustaining the competitive performance of an organization over time.” In this sense, Garavan et al. (2001) provide theoretical propositions of strategic human capital accumulation in relation to the RBV principles, with a focus on how firms can manage human resources to achieve competitive advantage (see Appendix B). They also commend that the importance of the human capital pool (the collection of employee capabilities), and how it is managed through HR processes, becomes apparent to the strategic aims of the organization. This is supported by the study of Hagan (1996), indicating that an emphasis on human capital chimes with an emphasis in strategy research on core competencies, where economic rents are attributed to “people-embodied skills.” (Hamel & Prahalad, 1994: 232)

However, Becker & Gerhart (1996) provide a refined view by arguing that it is not the human capital pool that builds competitive advantage, but the HR systems; a combination of HR policies and practices can create a competitive effect (Barney, 1995). Wright et al. (1994) go so far as to argue that individual knowledge, skills and abilities are essential, but not sufficient, and that employee behavior is required to be aligned with organizational objectives as well.

There are a number of arguments against the RBV perspective in the HR context (Fahy, 2000; Coff, 1997). One important feature of the arguments is the assumption that the RBV is overly focused on internal resources and their influences on the firm’s competitive advantage, while giving little attention to external environments (i.e., labor market). As Kamoche (1996: 215) puts it: “the creation of HR strategic assets depends on the internal organizational processes, the firm’s ability to recruit from the external labor market in the first place and its capacity to prevent the loss and erosion of valued expertise.” This is to oppose the inward-looking perspective of the RBV and to point out the pivotal role of the external environment toward the HR process. Rastogi (2000) simply elaborates this argument by illustrating how an external environment may have an impact on the organization on which human capital serves as a driving force to build competitiveness (see Figure 2.1).
Another argument is that, the knowledge-based view of the firm has emerged (Chatzkel, 2003; Kochan et al., 2002; Sveiby, 2001; Grant, 1996) to make a distinctive contribution to the HR strategy literature (Narasimha, 2000). It goes beyond what the RBV scholars simply view HR systems as resources (Barney, 1991). The knowledge-based view specifically focuses on employees’ capabilities to leverage their knowledge and continuous learning through knowledge acquisition, integration and transfer, in order to collectively accomplish competitive advantage. Wright et al. (2001a: 714) state that “knowledge can be viewed as something that characterizes individuals [i.e., human capital], but it can also be shared within groups or networks [i.e., social capital] or institutionalized within organizational processes and databases [organizational capital].” It implies that human resources are not highly valued if they fail to acquire and exploit their knowledge capabilities in the workplace (Kamoche, 1996), and the firm should not merely rely on its HR systems to create competitive advantage.

Moreover, studies in the RBV tradition have tended to be rather deterministic, with the assumption that that a written set of HR policies is executed as intended and generates outcomes as expected. However, Truss (2001a) and McGovern et al. (1997) argue that this assumption can be viewed as deterministic, and as failing to account for the individual interpretations. According to their studies, it is found that the written HR policies are not necessarily implemented, due to diverse interpretations of employees toward the HR policies. Truss (2001b) therefore suggests that the RBV in relation to human capital needs to be revisited through complex adaptive systems theory, as put forward by Mathews et al. (1999).
Despite critical arguments against the RBV articulated in both HR and strategy literature, the increasing recognition of the RBV has done much to promote human resource management (HRM) in general and human capital development in particular. Also, it has been seen to bring about a convergence between the fields of HRM and strategy (Wright et al., 2001a; Cappelli & Crocker-Hefter, 1996).

2.3.2.2 Human capital and strategic human resource management
The resource-based view of the firm strengthens the often-repeated statement from the field of strategic human resource management (SHRM) - people are highly important assets to the success of the organization (e.g., Boxall, 2003; Boxall & Steeneveld, 1999; Boxall, 1998; Mueller, 1996; Truss & Gratton, 1994). In the SHRM literature, much of the theme has been that to increase human capital within a firm, it is necessary to develop human capital of existing employees and/or attract and retain individuals with desirable skills and knowledge (Youndt et al., 2004; Huang, 2001; Richard & Johnson, 2001). HRM activities are therefore central in developing an organization’s human capital, through such mechanisms as recruitment and selection processes, training programs, appraisals, and rewards packages, by linking them closely to business strategy (Gratton, 2000; Tyson, 1995; Cappelli & Singh, 1992) and performance measures (Tyson, 1997; Dyer & Reeves, 1995; Bailey, 1993) (see also Note 2.1). For HR to work effectively, much depends on the commitment on line managers to carry out human resource activity (Martell & Caroll, 1995). General understanding about the topics of integration and devolvement suggests that an increase in the level of integration of HRM into the corporate strategy should be accompanied by an increase in the level of devolvement of HRM to line managers (Whittaker & Marchington, 2003; Currie & Procter, 2001; Renwick, 2000; Schuler, 1992) (see also Note 2.2).

In early writings, a focus on how HR practices and processes contribute to the development of human capital has been the subject of wide-ranging debate, as outlined in the following sections.

**Universal, or “best practice” approaches** - A major theme in the human resource literature has been the identification of a “best practice” approach, a number of HR practices and systems that would create value within organizations regardless of context and contingencies. It emphasizes the need for strong consistency among HR practices (internal
fit) in order to achieve effective performance (Melián-González & Verano-Tacorante, 2004). The work on high performance work practices (HPWPs) has been characteristic of this approach (Cappelli & Neumark, 2001). This view has a high degree of empirical support (e.g., Delaney & Huselid, 1996; Huselid, 1995; MacDuffie, 1995; Arthur, 1994; Ichniowski et al., 1994). The work of Pfeffer (1994b) has done much to popularize this view. He identifies 15 best practices in HR which becomes seven in his later work (Pfeffer, 1998): employment security, selective hiring, self-managed teams, high compensation contingent on performance, training, reduction of status differentials and sharing information. However, in the work of Rynes et al. (2002), they argue that there are some common misconceptions about HR practices, indicating a gap between research findings and their practical implications (see Appendix C).

Arthur (1994, 1992) shows that HR practices focusing on enhancing employee commitment (e.g., decentralized decision-making, comprehensive training, salaried compensation, employee participation), are related to higher organizational performance. Huselid & Becker (1995) argue that HR practices with an emphasis on control, efficiency and the reduction of employee skills and discretion, lead to high turnover and mediocre manufacturing performance. Similarly, Huselid (1995) finds that investments in HR activities such as incentive compensation, selective staffing techniques and employee participation result in lower turnover, greater productivity and increased organizational performance through their impact on employee skill development and motivation.

What these studies (e.g., Maruping, 2002; Becker & Huselid, 1997; Huselid, 1995; Huselid & Becker, 1995; Arthur, 1994, 1992) suggest is that the more of the high performance HR practices that are used, the better the performance as indicated by productivity, turnover or financial indicators. Although support for this view exists, there are notable differences across studies as to what constitutes “best” practices in HR. At their core, most of the studies simply focus on enhancing the skill base of employees through HR activities such as selective staffing, comprehensive training and broad developmental efforts like job rotation and cross utilization (Whitfield, 2000). However, some researchers argue that, in order to establish best practices in HR, the notions of empowerment, participative problem solving and teamwork with job redesign need to be taken into account.
While the HPWPs approach has provided an insight into the notion that firms can produce improved performance through their human resources, there are a number of critical views emerging across the studies. They basically argue that specific work practices might improve performance only in the context of other specific practices; it is frequently referred to as the “contingency” model, to be elaborated in the following section.

**Contingency, or “fit” approaches** - A central tenet of SHRM is that there should be a vertical linkage or integration (Brewster & Larsen, 1992) between HR practices and processes and the organizational strategy of the firm (Gratton, 2000). This raises important issues of how the strategic posture of the organization is likely to influence the style and approach of HR management.

As HR strategies vary from firm to firm, a number of researchers have investigated how HR practices vary with differences in a strategic context. Much of the literature in this area rests on traditional strategy typologies, such as cost, flexibility and quality strategies (e.g., Youndt et al., 1996) or Miles & Snow’s (1978) framework of prospector, analyzer and defender (Delery & Doty, 1996). The emphasis here is on alignment, or fit, between the external environment, the strategy of the organization and HR activity. The notion of fit has been articulated by writers such as Venkatraman (1989) and the benefits of tight coupling to ensure efficiency and effectiveness in achieving organizational aims have been well attested. But some scholars (e.g., Gerhart et al., 1996; Orton & Weick, 1990; Perrow, 1984) have argued that such tight links may represent a barrier to adaptability and flexibility.

An influential way of looking at human resources and issues of contingency has been to look through the lens of soft and hard models (e.g., Guest, 1995; Legge, 1995; Storey, 1995; Sisson, 1994). The “soft” version is referred to a people-centered approach, with a focus on gaining commitment of staff, whereas the “hard” version emphasizes a resource-based approach characterized by an emphasis on business values and calculative approaches to human resource systems (Storey, 1992). Depending on the business environment and skills and motivations of employees, an appropriate form of HR will be selected. However, as a number of commentators have pointed out, these two models are not mutually exclusive (Watson, 2004; Truss et al., 1997). There is usually an underlying logic of business values and a calculative approach to employees but this may be best served by adopting a high commitment model of employment relations (Watson, 2004). Watson (2004) also suggests
that it may be an empirical possibility that the soft version can exist without thought for the business case and for the furthering of corporate purpose will be a mistake.

Recently, Paauwe & Boselie (2003) has extended beyond these traditional soft-and-hard HRM studies, by providing propositions to explain the impact of different institutional mechanisms, including coercive, normative and mimetic ones (DiMaggio & Powell, 1983), on the shaping of HR strategies and practices in organizations.

There are a number of studies that present strong empirical evidence of the linkage between HRM and performance across organizational settings (see Appendix D). For instance, Huselid (1995) reveals that the organizations that link HR practices to strategy report higher performance outcomes. In a sample of 1,050 banks, Delery & Doty (1996) find modest support for a fit with the Miles & Snow (1978) typology. Similarly, Youndt et al. (1996) find support for this type of fit in a sample of 97 manufacturing plants. However, MacDuffie (1995) explicitly rejects this hypothesis, claiming that in his study of car manufacturing plants, he has found no evidence that a “fit” of appropriate HR practices to mass production is able to compete with flexible production.

Within the framework of contingency, Wright et al. (1994) argue that employee attitudes and role behaviors, derived from the behavioral view (Jackson et al., 1989), are required for the successful execution of the corporate objectives, rather than merely relying on the HR systems as traditionally assumed (Becker & Gerhart, 1996). This represents a tension between the core features of universal theory and those of contingency theory (Meyer et al., 1993). Thus, it implicitly gives rise to the notion that a combination of the HR practices and employee behaviors in a firm-specific context, so-called the configurational perspective, would enable human resources to constitute a source of competitive advantage.

**Configurational approaches** - A third strand of the debate is the configurational perspective which has emphasized the patterns of HR practices that predict superior performance when used in association with each other, or business strategy, or both (Delery & Doty, 1996). This approach is found on the assumption that an organization which displays a greater congruence between its bundles of HR practices and overall business strategy should achieve higher performance. The congruence, or “fit,” is developed into two classifications: horizontal and vertical fits (Gratton & Truss, 2003). Vertical fit refers
to the alignment of HR policy and practice with a firm’s strategy (or objectives), which is in line with the external environment where the organization operates in (Schuler & Jackson, 1987). Horizontal fit is the degree to which HR practices, and other elements of the organization, structure, systems, processes and practices, are integrated to ensure cohesion (Guest, 1987). As MacDuffie (1995: 201) remarks: “implicit in the notion of a ‘bundle’ (of human resources) is the idea that practices within it are interrelated and internally consistent, and that ‘more is better’ with respect to the impact on performance, because of the overlapping and mutually reinforcing effect of multiple practices.”

With the configurational perspective, “the distinction between best practice and contingency models begins to blur.” (Becker & Gerhart, 1996: 788) While some commentators argue for the idea of external and internal fit (e.g., Baird & Meshoulam, 1988; Hendry & Pettigrew, 1986), others argue for an identifiable set of best practices for managing employees that have positive effects on organizational performance (e.g., Delery & Doty, 1996; Huselid, 1995). Youndt et al. (1996) suggest that the two approaches are in fact complementary. The argument that these approaches are not in conflict has also been made by Becker & Gerhart (1996) and Guest et al. (2000). Becker & Gerhart (1996) assert that best practices have an architectural nature. That is, for example, the idea of incentives for high performance has a generalizable quality. But, within a particular firm, HR practices and their mix may be different, depending on context and strategy. As Becker & Gerhart (1996: 786) state: “two companies with dramatically different HR practices arguably have quite similar HR architectures. For example, although the specific design and implementation of their pay and selection policies are different, the similarity is that both link pay to desired behaviors and performance outcomes and both effectively select and retain people who fit their cultures.” In a similar vein, Guest et al. (2000: 3) put it: “the idea of ‘best practices’ might be more appropriate for identifying the principles underlying the choice of practices, as opposed to the practices themselves.”

2.3.2.3 Issues with human capital and performance linkage
The literature to date is unclear on the subject of how human capital should be measured and related to firm performance. Though much of the research has argued for a positive correlation between human capital development and organizational performance (Ulrich, 1997a), the effective measurement of human capital remains problematic (Adams & Waddle, 2002). Pfeffer (1997) highlights the numerous pitfalls and measurement prejudices
that are built around the issues of human capital measurement, but fails to provide further critical explanations of the discussed issues. Also, by extending the work of Gerhart et al. (2000), Wright et al. (2001b) present empirical evidence on measurement error in measures of HR practices which calls for theoretical discussions in research design changes regarding how HR practices impact firm performance. The key problems over the human capital and performance linkage are drawn from the works of Truss (2001), Guest (1997) and Becker & Gerhart (1996) as follows:

1) **Reverse causation** - Do human capital processes lead to increased performance, or is the alternative equally as likely: that higher performing firms will have more resources to invest in better human capital development? If the causal link is to be established, there is a need to specify the intervening variables between human capital development and performance:

   “The fact that profit sharing is associated with higher profits can be interpreted in at least two ways: profit sharing causes higher profits, or firms with higher profits are more likely to implement profit sharing. However, if it can be demonstrated that employees in firms with profit sharing have different attitudes and behaviors than those in firms without profit sharing and that these differences also translate into different levels of customer satisfaction, productivity, speed to market and so forth, then researchers can begin to have more confident in the causal link.” (Becker & Gerhart, 1996: 793)

2) **Time perspectives of measures** - The majority of financial reporting and accounting systems focus on fairly short-term dimensions, as opposed to investments on human capital which tend to yield performance results over a medium-or long-term time period. Reichheld (1996) and Johnson & Kaplan (1987) provide empirical evidence concerning how traditional accounting systems fail to realize the significance of loyalty and continuity in relationships with customers, employees and investors, which may divert business practitioners away from making important managerial decisions. Pfeffer (1997: 362) calls for a coherent, practical human resource measurement system that revolves around influencing or directing behavior, rather than charting the overall productivity with multiple indicators for “to measure everything is, in the end, equivalent to measuring nothing.”
3) **Rhetoric vs reality** - Truss (2001a) proposes that, instead of devising a list of the “best practice” in HR management and testing its impact on performance, the research investigation should be focused to which HR policies and practices are used by a financially successful firm. This exploratory methodology shows that the successful organizations do not always implement the “best practice” HR management. There is frequently a discrepancy between intention and practice (Sturdy & Fleming, 2003). Outcomes at the individual and organizational levels are complex and often contradictory.

From these arguments, they raise the point that if human capital is, in a real sense, “best practice,” why is it that some organizations lack human capital processes and yet are successful in their purpose? and why don’t all firms adopt human capital principles? A simple answer would be that such firms may be considered themselves successful now, but the possibility of their sustaining success tends to be reduced by their failure to implement human capital concepts (Rastogi, 2000). The author agrees with Becker & Gerhart (1996: 786) who state: “more effort should be devoted to finding out what managers are thinking when they make the decisions they do. It thus suggests a need for deeper qualitative research to complement the large scale, multiple firm studies that are available.”

2.4 **Human capital and complementary capitals**

As Dess & Picken (1999: 8) note: “[human capital is] generally understood to consist of the individual’s capabilities, knowledge, skills and experience of the company’s employees and managers, as they are relevant to the task at hand, as well as the capacity to add to this reservoir of knowledge, skills, and experience through individual learning.”

From a definition such as this, it becomes clear that human capital is rather broader in scope than human resources. The emphasis on knowledge is important, and though the HR literature has many things to say about knowledge, the debate is traditionally rooted in an individual level perspective, chiefly concerning job-related knowledge (e.g., Scarbrough & Carter, 2000; Lavigna, 1992). Whereas the human capital literature has moved beyond the individual to also embrace the idea that knowledge can be shared among groups and institutionalized within organizational processes and routines (Currie & Kerrin, 2003; Wright *et al.*, 2001a). As Rastogi (2000: 196) puts it:
“The concept and perspective of human capital stem from the fact that there is no substitute for knowledge and learning, creativity and innovation, competencies and capabilities; and that they need to be relentlessly pursued and focused on the firm’s environmental context and competitive logic.”

Such an argument leads to a crucial point. That is, the accumulation of exceptionally talented individuals is no longer enough for the organization to become successful. There must also be a desire on the part of individuals to invest their knowledge and expertise in their jobs and the organization. In other words, individuals are required to engage with work and commit to the organization if effective utilization of human capital is to happen. As Davenport (1999b: 5) states:

“High levels of commitment and engagement reinforce each other. For instance, the management team of Charles Schwab & Co. understands that commitment to the company is not enough to guarantee that employees will invest high effort in their jobs. People must also be engaged in their jobs.”

According to the above statement, there are a number of critical writings that do take account of employee engagement (Note 2.3) and organizational commitment (Note 2.4) in relation to human capital (e.g., Lee & Bruvold, 2003; Swailes, 2002; Davenport, 1999b; Meyer & Allen, 1997). For example, Lee & Bruvold (2003) find that job satisfaction and affective commitment play a significant role in mediating the relationship between employees’ perceived investment in their human capital and intent to leave. Shore & Wayne (1993) discover that employees who feel supported over time also feel a greater obligation to the organization and thus tend to be more committed. Similarly, in the work of McDermott et al. (1992), the findings strongly suggest that employees who have access to resources, information, opportunity and support in their work environment are more likely to be engaged with their jobs.

Some scholars have also explored the complementary aspects of human capital, namely intellectual capital (Nerdrum & Erikson, 2001), social capital (Nahapiet & Ghoshal, 1998) and organizational (or structural) capital (Davis & Meyer, 1998). It is viewed that these perspectives have provided critical perspectives of how human capital can be developed within an organization. In the following sections, the literature on these complementary capitals is briefly reviewed.
2.4.1 Intellectual capital

Plenty of arguments have been made in support of the need to understand intellectual capital better (e.g., Johnson, 2002; Sveiby, 2001; Edvinsson, 1997; Edvinsson & Malone, 1997; Brooking, 1996; Nonaka, 1994). Early work has focused on identifying some meanings of intellectual capital. For instance, Knight (1999: 23) defines intellectual capital as “the sum of the company’s intangible assets.” Wright et al. (2001a) supplement this definition by incorporating human capital, social capital and organizational capital into its description. In that sense, intellectual capital refers to the “knowledge and knowing capability of a social collectivity, such as an organization, intellectual community, or professional practice.” (Nahapiet & Ghoshal, 1998: 245) Ulrich (1998b: 16) proposes a simple, yet implicitly measurable and practical, definition - “intellectual capital = competence x commitment.” These definitions seem to represent the extent to which intellectual capital is implicated in the process of leveraging and developing organizational knowledge, rather than seeking to establish the clear boundaries of intellectual capital.

One of the critical arguments rests on the notion that intellectual capital and human capital are inextricably interrelated. Warner & Witzel (1999: 75) argue that, “just as knowledge needs an active agency to achieve utility, so the human brain without knowledge is an empty vessel.” From the organizational perspective, the notion of knowledge stocks reinforces the importance of “organizational brain” developed through capable employees (Narasimha, 2000). Some scholars argue that knowledge does not seem to be susceptible to the scarcity theorem in economics. On the contrary, it is claimed that knowledge is supported by an abundance theorem (Nonaka & Nishiguchi, 2001). It implies that knowledge can be utilized over and over without diminishing value (Stewart, 1997). The more knowledge resources are applied, the more these resources create the value (Drew, 1996). Given the interest of value creation, this illuminates an avenue of research on how to measure and quantify intellectual capital in accounting systems (Bontis, 2001, 1998), supported by the empirical findings of firms in Asia, Europe and the Middle East (Ordóñez de Pablos, 2002).

Another argument is that the embeddedness of intellectual capital in both people and systems has been part of a debate in the knowledge management field (Rastogi, 2002; Wright et al., 1998). Argyris (1992) asserts that all organizational learning takes place inside human heads. On the other hand, Nelson & Winter (1982), cited by Nahapiet &
Ghoshal (1998), argue that the significance of contextually embedded forms of knowledge and knowing as a resource differs from the simple aggregation of individual knowledge. This argument has reinforced the importance of organizational knowledge (Spender, 1996) by which a form of collective knowledge (i.e., information sharing among group members) is prevailed (Chua, 2002).

Narasimha (2000) develops a framework of organizational knowledge that concentrates on five specific dimensions and explicates their roles in assuring sustained competitive advantage. They are tacitness and codifiability of knowledge, architectural and component knowledge, exploratory and exploitative knowledge, competency (or the variety-generating capability) of knowledge, and depth/breadth of knowledge. Tacit knowledge (or knowing how), which cannot be articulated, defines and gives meaning to its complementary dimension, explicit knowledge (or knowing that) (Lubit, 2001; Howells, 1996). It thus creates the condition where the knowledge value becomes inimitable by rival firms to develop similar knowledge, thereby building competitive advantage (Lubit, 2001; Athanassiou & Nigh, 2000). However, it is argued that this condition may pose a challenge for transferring knowledge across business units within the firms. And that the organizations are required to focus more on exploratory knowledge which entails innovation (Kleysen & Street, 2001; Lubit, 2001; Narasimha, 2000).

The process of creating new knowledge encompasses the domains of combination – incrementally or radically – at the individual level and of exchange at the collective level, through social interaction and coactivity (Nahapiet & Ghoshal, 1998). The latter one has fuelled a recent discussion on developing core competency as a source of competitive advantage (Foil, 2001). That is to say, the notion of collective learning on a teamwork basis enhances coordination of diverse skills and integration of innovation streams (Belbin, 2001; Prahalad & Hamel, 1990), thereby constituting a major way to develop human capital (Cunningham, 2002).

2.4.2 Social capital
Numerous scholars have conceptualized social capital as a set of social resources embedded in relationships (e.g., Gant et al., 2002; Tsai & Ghoshal, 1998; Burt, 1997, 1992). As such, social capital can be defined as “the sum of the actual and potential resources embedded within, available through, and derived for the network of relationships possessed by an
individual or social unit.” (Nahapiet & Ghoshal, 1998: 243) To examine this definition closely, some researchers essentially refer social capital to as “the stock of active connections among people: the trust, mutual understanding and shared values and behavior that bind the members of human networks and communities and make cooperative action possible.” (Cohen & Prusak, 2001: 4) Hence, viewed broadly, social capital encompasses many aspects of a social context, such as value systems and social ties, which contribute to development of both human and intellectual capital through effective communication (Hazleton & Kannan, 2000; Baker, 1990) and trust (Fukuyama, 1995).

Social capital is an intangible asset capable of delivering the collective network value within the organization over time (Leana & Van Buren, 1999; Powell, 1990), despite occasional uncertainties. As Adler & Kwon (2002: 21) put it:

“Through investment in building the network of external relations, both individual and collective actors can augment their social capital and thereby gain benefits in the form of superior access to information, power and solidarity; and by investing in the development of their internal relations, collective actors can strengthen their collective identity and augment their capacity for collective action.”

Early attempts have been made to distinguish between human capital and social capital but none of them have provided a conclusive explanation. At the individual level, human capital resides with the people, whereas social capital is embedded in the relationships among them (Hüppi & Seemann, 2001). Implicitly, individuals with better social capital or stronger contact networks tend to “earn higher rates of return on their human capital” (Garavan et al., 2001: 52) and are consistently motivated to promote innovation (Rastogi, 2000). Equally important, at the firm-specific level, social capital expedites the creation of intellectual capital (Hargadon & Sutton, 1997) and cultural change (Goffee et al., 1998) through which the appropriate conditions need to be established for the exchange and combination of knowledge to take effect (Nahapiet & Ghoshal, 1998).

By linking to the context of intellectual capital, there are three major dimensions of social capital to be considered: a structural dimension (i.e., network ties, network configuration and appropriable organization); a cognitive dimension (i.e., shared codes and languages and shared narratives); and a relational dimension (i.e., trust, norms, obligations and identification) (Kostova & Roth, 2003; Nahapiet & Ghoshal, 1998). In association with the
RBV theory, social capital, with a focus on links among individuals, creates the conditions for connections, which are non-imitable, tacit, rare and durable. McElroy (2002) proposes that the concept of social innovation capital is the most valuable form of intellectual capital because it underlies a firm’s fundamental capacity to learn, innovate and adapt through collective team efforts. On the other hand, Gratton & Ghoshal (2003: 3) argue that social capital is based upon the twin concepts of sociability and trustworthiness, as remarked: “the depth and richness of these connections and potential points of leverage build substantial pools of knowledge and opportunities or value creation and arbitrage.” This argument suggests that, as trusting relationships are developed through social interactions inside a network, the more trustworthy group members is perceived by others within the network, the more knowledge they are willing to share among each other.

2.4.3 Organizational (Structural) capital
A growing body of literature in structural capital indicates that a firm’s investment in organizational structure can contribute in crucial ways to its productive capacity (Blair & Wallman, 2001; Robertson et al., 1993; Ford & Randolph, 1992; Ingham, 1992). A basic assumption is that organizational capital consists of “all the firm-standard business processes, systems, and policies that represent the accumulation of experience and learning by many people over many years.” (Davis & Meyer, 1998: 16) This assumption suggests that the concept of organizational capital plays a critical role in linking a bundle of organizational resources into a systematic process, which facilitates value creation for customers and firms’ competitive advantage (Dess & Picken, 1999; Tomer, 1987). In support of this view, Brynjolfsson et al. (2002) and Stewart (1997) reveal that a number of recent studies have characterized a wide range of organizational capital components as summarized below:

- organizational and reporting structures (Ingham, 1992);
- operating systems, processes, procedures and task designs (Black & Lynch, 2002);
- decision processes and information flows (Gort et al., 1985);
- incentives and performance measurement systems (Becker & Huselid, 1997); and
- organizational culture and commitment (Tomer, 1998).

The interactions among these dimensions are important to motivate organizational members to develop their skills and knowledge. For example, Black & Lynch (2002) propose that the
use of cross-functional production process results in more flexible allocation and re-allocation of workers, both managerial and non-managerial, in the firm. Job rotation and job share arrangements are associated with the introduction of work design, which allows employees to share knowledge across functions.

Another study done in relation to cross-functional organization forms (i.e., matrix structures) provides a theoretical understanding of this structure through both positive and critical views (Ford & Randolph, 1992). For instance, Joyce (1986) suggests that a matrix improves information processing by formalizing lateral communication channels and legitimizing information communication. Whereas Davis & Lawrence (1978) argue that functional managers in a matrix organization are likely to experience a loss of status, authority and control over their traditional domain, thus potentially resulting in resistance to developing their managerial skills.

Moreover, an architectural stance of the routines and processes (Currie & Kerrin, 2003; Wright et al., 2001a), including workforce diversity and corporate culture (Denison, 1990), can also either enable or disable the development of knowledge and work systems. Within this context, Davis & Lawrence (1977), cited in the work of Ford & Randolph (1992), view that corporate culture characterized by a rigid bureaucracy, minimal interdepartmental interaction and strong vertical reporting lines are not very receptive to cross-functional and matrix structures. On the contrary, a matrix-structured firm operating in multiple countries is well in a position to create a culture of diversity of workforce in order to bring about differences in work-related values (e.g., Hampden-Turner & Trompenaars, 1993; Hofstede, 1980) (see Note 2.5) and to foster individuals’ creativity (Cox, 2001).

According to these arguments, it can be implied that organizational structures should support the mandate of the corporate practices, like reengineering or culture change, and so have sufficient variety to accommodate such changes.

Stewart (1997) proposes two objectives of organizational capital initiatives. One is to codify the body of knowledge that can be transferred, along with preserving the significant ingredients of knowledge that might be lost. The other is to connect people with data, experts and expertise (including bodies of knowledge) so as to accelerate the flow of the information inside the company. Tomer (1998: 834) supports this view by stating that:
“Unlike pure human capital that is embodied only in individuals, pure organizational capital is embodied only in the relationship among individuals.”

On the other hand, Stewart (1997) raises a critical point, despite the absence of empirical support, by arguing that there is a danger of over-investing in knowledge. It may lead to the state of de-capitalization on other resource values which are essential to building competitive advantage. From these arguments, it can be assumed that senior managers should seek more information about organizational capital, by at least in part being critical of its managerial benefits. This information might allow human capital to be allocated more effectively within organizations and may further enable gaps in skills and abilities to be more easily identified (Mayo, 2001).

2.5 Human capital, human resources: Rhetoric and reality

Both human capital and SHRM have become popular among organizations in terms of their philosophy and techniques. However, the increasing adoption of these approaches may only be an imperfect indicator of their actual adoption and/or implementation. For instance, a firm perhaps seeks to convince external constituencies that it adopts leading management practices to gain a reputational advantage, or to gain institutional legitimacy (DiMaggio & Powell, 1983), even though reality may not match rhetoric (Staw & Epstein, 2000; Zbaracki, 1998). This example reflects a critical issue of a gap between what the firm is intended to achieve and what the firm is actually destined to implement. Legge (1998, 1995) however argues that both “rhetoric” and “reality” are equally “real,” and in setting up this distinction, the present study aims not to give ontological priority to either aspect. Rather, a focus of this dissertation on rhetoric and reality is to explore the understandings that employees, including middle managers, construct when they experience human capital. Having stated that, the author follows Zbaracki’s (1998) approach in examining the relationship between what people say or written policies state - (in this case, the rhetoric of human capital use) and what people do - (the reality of human capital use). In this context, rhetoric is defined as the managers’ stated claims and accounts of human capital use, especially in the context of ongoing organizational life (Zbaracki, 1998). It involves a range of techniques, using primarily language to inform plans to use human capital, and communications to inform about its implementation progress. This is consistent with Barley & Kunda’s (1992: 363) definition of rhetoric as “a stream of discourse used to construct, spread, or sustain a set of assumptions” about an issue or subject. Reality is defined by Zbaracki (1998) as the models
of human capital that people construct, focusing specifically on the tools used and the meanings made in those models.

The term “rhetoric” has been used widely in HRM for over a decade (Carter & Jackson, 2004; Legge, 1995). Some scholars comment that the word has a cynical, pejorative connotation, seeking to “persuade someone to do, think or feel something for an ostensible reason when the actual reason is quite different.” (Carter & Jackson, 2004: 472) One of the critical and political views on rhetoric is that it tries to mask reality in order to gain compliance and consent of the work group. Keenoy (1990: 375) argues that the chief purpose of rhetoric “might be to provide a legitimate managerial ideology to facilitate an intensification of work and an increase in the commodification of labor.” This argument is supported by a realization that the unitarism of the workplace (the assumption that the interests of managers and employees can be aligned) advocated by many HRM theorists is far from realization within the workplace, and that competing interests and asymmetrical power relations between them remains the norm.

However, it is not the intention of the author to use rhetoric in this way. Such an interpretation calls into question whether senior managers who are using and spreading the rhetoric through discourse (e.g., written policies) actually believe it, and if not, then their cynicism is plain. The author remains neutral about this possibility as the above definitions suggest, and stays close to the un-pejorative use that holds rhetoric to be about language and communication. The author aims to allow the empirical data and analysis to assess how rhetoric is construed and enacted within the organization.

There is strong similarity between this approach and the distinction between espoused theory and theory-in-use made by Argyris (1989). He views that espoused theory means “what people say or [organizations] espouse” (Argyris, 1980: 208), or rhetoric, which is in contrast with theory-in-use, or reality, defined as that is “used to produce the actual behavior.” (Argyris, 1980: 208) Individuals seem to be unaware of their intended behavior because they have learned it through acculturation and experience, as stated by Argyris (1980: 208): “all skillful actions are learned when people internalize rather complex programs.” Argyris (1960) argues that formal aspects of organizations produce defensive routines, routines that are generated by fear and doubts about the organization’s direction or processes and practices, and such routines are designed to reduce what may be embarrassing
or threatening for the employee. These routines produce “underground” or “subversive” behavior entailing distortions of information and rigidity through resistance.

There are a number of empirical studies that examine the gap between espoused rhetoric and enacted reality in various respects, such as organizational learning (Easterby-Smith & Lyles, 2003), HR competency (Garavan & McGuire, 2001), HR development (McCracken & Wallace, 2000), psychological contract (Grant, 1999), HR management (Watson, 1995) and HR strategy (Gratton, 1994). For example, Easterby-Smith & Lyles (2003: 51) put it:

“Essentially this distinction states that there is usually a difference between what people say they believe and the beliefs that another observer may deduce from their behavior. Thus, classically, if a manager says that she encourages all subordinates to speak their minds in front of her [espoused theory] but she then reprimands a subordinate for being ‘disruptive’ or ‘aggressive’ when arguing an unpopular position in a meeting, one might observe that there is a contradiction between the ‘theory-in-use’ and the earlier statement of espoused belief.”

This distinction, between espoused theory and theory-in-practice, will be used to explore the development of human capital in an organization in the current research.

2.5.1 Making sense of rhetoric: Managerial cognition and psychological contract

Introducing human capital initiatives into an organization requires changes to policy, practice and processes. A crucial factor in trying to understand such changes within organizations is managerial cognition (Isabella, 1992; Daft & Weick, 1984). For instance, in the work of Barr et al. (1992), they conclude that the mental models of managers may be better predictors of organizational change than other managerial characteristics, such as succession, age and education.

Although there have been a number of theoretical strands in the managerial cognition literature, a common assumption is that managers need to ascribe meanings toward complex issues, choosing among many possible interpretations (Thomas et al., 1994; Weick, 1979). There has been growing research on topics of interpretations, in particular on the effect of multiple contexts (Thomas et al., 1994). One of the dominant issues is the extent to which managers perceive issues as either opportunities or threats (Gioia & Thomas, 1996), and the other is related to the nature of political activity where various individuals or groups may
seek to impose their views toward the issues (Dutton, 1999). These theoretical frameworks provide a basis for various areas of empirical studies, such as organizational images (Dutton et al., 1994) and environmental changes (Milliken, 1990).

Linked to the concept of interpretation is that of reciprocal social exchange relationships based on dependence and discourses (Bacharach et al., 1995). Different employees use different framing - cognitive sensemaking of events and actions - in order to interpret information, to determine how old information is remembered and how inferences are drawn from past events and at times when information is missing (Weick, 2001; Reger et al., 1994b). This plurality of interpretations obviously poses considerable challenges for organizations attempting to narrow the gap between what they are espousing and what they want employees to enact. A key assumption is therefore that “each party brings to the exchange relationship his or her own specific ends and his or her own specific means for achieving them and that underlying these specific means and ends is some general logic or cognitive framework that guides each party’s behavior.” (Bacharach et al., 1996: 477)

The nature of social exchange relationships (Blau, 1964) has been examined in the growing literature on the psychological contract (Sparrow, 2000; Rousseau, 1995). Psychological contracts, viewed broadly, refer to the relationship between employee perceptions of what they owe to their employers and what their employers owe to them (Millward & Brewerton, 2000). As derived from the works of Herriot & Pemberton (1995), Schein (1978) and Argyris (1960), some scholars define the psychological contract as an individual’s beliefs about the terms and conditions of a reciprocal exchange agreement between that person and the organization (Rousseau, 1995). Unlike formal or implied contracts, the psychological contract is inherently perceptual, and thus one party’s understanding of the contract may not be shared by the other (Rousseau, 1990). Probing beneath the notion of the psychological contract, it is argued that the concept of expectations determines employees’ motivation to work and therefore their behavior at work (Steers et al., 1996). Descriptions of the expectations borrow heavily from expectancy theory (Robbins, 2003) in a sense that the psychological contract is influenced by individuals’ desired goals and outcomes (Stiles et al., 1995; Herriot et al., 1993).
However, one of the main arguments is that the psychological contract should be distinguished from expectations (i.e., general beliefs held by employees about what they expect to give and receive in the working relationship) (Rousseau & Parks, 1993). For example, new managers have expectations to receive a high salary or be promoted because their expectations are developed through a variety of sources, such as past experiences and social norms. Whereas psychological contracts, by contrast, entail beliefs about what employees believe they are entitled to receive or should receive, because they perceive that their employer conveys promises to deliver those things. Thus, only expectations which emanate from perceived implicit or explicit promises by the employer are part of the psychological contract (Kotter, 1973). It can be argued that, although psychological contracts produce some expectations, not all expectations emanate from perceived promises (Sparrow, 1996). For example, if new managers believe they are promised pay commensurate with performance at the time of hire, it does not only create expectations but also a perceived obligation through which the employer is expected to deliver.

Researchers have also emphasized that psychological contracts are held by employees, representing employees’ beliefs about obligations between them and the organization, rather than any specific agent of the organization. In a sense, the organization assumes an anthropomorphic identity in the eyes of the employee. Nonetheless, the organization is not seen as possessing a psychological contract of its own. Rather, it provides the context for the creation of a psychological contract, which organizations cannot perceive, though their individual managers can themselves personally perceive a psychological contract with employees and respond accordingly.

Another argument is that there is an important distinction in the literature between psychological contracts that are largely transactional in nature and those that are largely relational (Robinson et al., 1994). A contract at the transactional end of the continuum is composed of specific short-term and financial obligations entailing limited involvement of the parties. A contract at the relational end of the continuum, in contrast, entails broad, open-ended and long-term obligations; it is based on the exchange of not only monetary elements (e.g., pay for service) but also socio-emotional elements such as loyalty and support. It can be assumed that the concept of human capital, with its promise of empowerment, devolved leadership and enhancing the skills, knowledge and behavior of individuals, is implicitly offering a contract at the relational end of the spectrum.
In the critical literature on this subject, a breach of the psychological contract is of a subjective experience, referring to one’s perception that another has failed to fulfill adequately the promised obligations of the contract (Johnson & O’Leary-Kelly, 2003; Robinson, 1996). It has no objective materiality (Grant, 1999). This is not to say that they are without impact on behavior or have no concrete consequences. It is an employee’s belief that a breach has occurred which affects his or her behavior and attitudes, regardless of whether that belief is valid or whether an actual breach has taken place (Sparrow, 1998). This can be assumed that introducing an initiative such as human capital involves change and as such could be said to threaten existing psychological contracts. The cognitions of employees thus become highly important in interpreting the nature and working of the human capital program, and the subsequent attitudes toward efficacy.

2.6 Critical views on human capital
Much of the literature on human capital development has focused on reporting the voice of management or managerial views, with less critical of its drawbacks (Clark et al., 1998). This has been particularly prevalent in the management consulting field where management fads are largely created, labeled and embraced (Abrahamson, 1996), as noted by Gibson & Tesone (2001: 123): “…one author refers to those who initiate fads as fashion setters, and identify them as consultants.” For example, the human capital index (HCI) (see Note 2.6), designed by the HR consulting firm Watson Wyatt (WW), aims to demonstrate a relationship between the effectiveness of a company’s human capital and shareholder value creation. The WW consultants claim that a significant improvement in five key areas of human capital practices is associated with a 47 percent increase in market value; what is prone to be sustainable over time. These areas include recruiting and retention excellence, total rewards and accountability, collegial and flexible workplace, communications integrity and focused HR service technologies (Pfau & Kay, 2002). Similarly, Mercer Human Resource Consulting and Arthur Andersen (a former leading HR consulting firm) have also developed models for human capital performance that, as they claim, promise dramatic results (Friedman et al., 1998).

A critical view in evaluating human capital as a concept may begin with the fact that those who are on the “receiving end” of such a practice have received little attention in the literature (Bryne, 1986). The normative strands in the literature have argued for a strategic linkage between organizational and HR/human capital strategies, and that the individual
components of HR/human capital be linked and actually generate positive outcomes (Hitt et al., 2001; Gerhart, 1999; Hiltrop, 1996; Fombrun et al., 1985). The idea of fit, or alignment, has thus become a central focus of academic endeavor in the field, and achieving fit is likely to build competitive advantage (Snell et al., 2000b). The implication is that an emphasis on competitive advantage brings with it an emphasis on HR/human capital in terms of developing “appropriate” processes and practices aimed at generating knowledge and competency that support business strategy (Gratton, 2004, 2000). A general trend in research on these subjects has therefore been essentially managerialist, supporting “the activity and actions of management and as a consequence can be seen to be a powerful and new form of managerial rhetoric.” (Clark et al., 1998: 5)

From these arguments, human capital and HRM can be viewed as a further (and new) form of managerial control (Townley, 2002, 1993). This form of control is not engineered through traditional management practices, but through the development and socialization of employees. Human capital mechanisms can be viewed as levers through which the values of the firm are internalized in employees, who perhaps exercise a form of self-control in alignment with the interests of the senior management (Foucault, 1977). Also, it derives from the reframing of the employment relationship to emphasize a new “reality” (Clark, 1996) in the workplace “where there are a plurality of views and interests and where the convergence between the values of the organization and those of the employee cannot be taken for granted.” (Ezzamel et al., 1996: 78). However, some scholars take a critical view by considering managerial control as “a process which aims limiting individualistic behavior of the organization’s members to bring their activities into conformity with the rational plan of the organization.” (Saxberg & Slocum, 1968: 476)

A managerial discussion about the promise of HR/human capital, with an emphasis on its ability to deliver certain outcomes, has been criticized as glossing over the inherent contradictions within the workplace. Recent research suggests that, at the organizational level, the focus on improvements in effectiveness, efficiency and productivity that have been part of the human capital and HRM has been accompanied by a corresponding emphasis on cost control and redundancies (Wilkinson & Willmott, 1995). This condition tends to increase the probability of cynicism and decrease the probability for psychological success (Amundson et al., 2004; Hallier & Lyon, 1996). Therefore, for some commentators, greater sophistication in the management and evaluation of employees, such
as commitment, empowerment, and involvement, has been signaled an intention by organizations to increase surveillance of employees. This highlights an instrumental view of HR/human capital as being a means to an end (Legge, 1998; Townley, 1994).

The intended form of control seeks to work by ensuring employees internalize the values and ethos of the organization to deliver, as Willmott (1993: 519) puts it: “their uniquely human powers of judgment and discretion are directed unequivocally toward working methods that will deliver capital accumulation.” This self-disciplining approach, embedding the desires of the firm into the subjectivity of the individual, has been criticized as inducing brainwashing (Willmott, 1984) and reducing individuality (Legge, 1984). However, Watson (1994) argues that employees, including managers, more or less actively and critically interpret and perhaps resist corporate rhetoric. For example, some employees challenge the organizational rhetoric, articulated by managers, which is intended “to establish a discourse that represents employees in terms of the skills they are deemed to possess rather than the jobs they occupy.” (Alvesson & Willmott, 2002: 628) They seek to defend this discourse, by instead emphasizing the value of job security for maintaining morale through an argument that their lowered morale may carry an adverse consequence against organizational performance (Alvesson & Willmott, 2002).

Another important issue is the high expectations placed on human capital and HRM programs to change the workplace. There can often be a huge amount of optimism from employees about the potential for such approaches. But Skinner & Mabey (1997) argue that successes are more the exception than the rule; differences between the perceptions of managers and employees generally emerge and remain, due to failures of design, implementation or trust (Fuguyama, 1995).

These views suggest that introducing the concept of human capital within an organization may not be a neutral and unambiguous intervention. In this dissertation, the nature and workings of human capital will be examined and its interpretation by the recipients of the rhetoric assessed. The author seeks to avoid the danger, identified by a number of writers, of portraying ordinary people as passive “dupes of ideology.” (Watson, 2004: 452) (see also Guest, 1999).
2.6.1 Resistance

Allied to critical views on human capital development is the concept of resistance. Resistance to organizational initiatives, such as human capital programs, may come from the individual, group and organizational level (Jick, 1995; Kanter et al., 1992). At the individual level, issues of uncertainty, habit, anxiety, protection of power and mistrust of the organization are clear sources of resistance (Oreg, 2003). At the group level, issues around group norms, groupthink and entrenched power positions are prominent (Robbins, 2003). At the organizational level, culture, path dependency, bureaucracy and hierarchy may all inhibit the change in organizational initiatives (Hendry & Pettigrew, 1992).

According to the work of Szulanski (1996), it is argued that one way to examine resistance is to use a communications model, closely looking at the source, content, context and the recipient of the organizational initiative.

**The source** - The more expert and trustworthy the source of the organizational message, the greater the likelihood of it being accepted by employees (Szulanski, 1996; Perloff, 1993). The literature suggests that, in large organizations, responsibility for major strategic decisions and organizational rhetoric usually rests with top management, mostly reflecting through broad-ranging and superficial discourse (Legge, 1995). The degree to which lower levels managers are excluded from the decision-making process may increase resentment about the rhetoric (Westley, 1990) and increase their sense of powerlessness (Izreali, 1975), with the result that lower level employees may impede or ignore the organizational rhetoric.

**The content** - The equivocality of the content of the organizational change message seems to increase its potential to be subject to multiple interpretations (Daft & Lengel, 1986). Ambiguity or poor framing in terms of the target audience tends to reduce the message’s impact and hamper the issue interpretation process (Webster & Trevino, 1995). The relevance of the message to its target audience (Szulanski, 1996) and whether the content constitutes a threat or opportunity to that audience (Staw et al., 1983) will also affect its interpretation.

**The context** - Organizational context can have a powerful influence on employee cognitions, particularly where the absorption of messages is concerned (Spreitzer, 1996; Thomas & Velthouse, 1990). Thomas *et al.* (1994) argue that because large organizations
have complex structures, differentiated units and a high degree of internal diversity, they tend to create strong inertial forces which limit the degree to which new information or rhetoric may be accepted. Daft (2003) asserts that these forces are usually accompanied by difficulties in communication due to the complexity of the organization. Though there is an increase in communication linkages, communication between organizational levels becomes even more difficult (Damanpour, 1991; Hull & Hage, 1982). It is because they have greater differentiation in terms of organizational structure and hierarchy. Organizational rhetoric will, in this type of environment, pass through various levels of the corporate hierarchy and across the variegated structure. Differences of interpretation and implementation from managers and employees at different levels may affect how the rhetoric is actually manifested.

Zbaracki (1998) argues that the potential success of organizational rhetoric being implemented in intended fashion is influenced by the nature of the processes and practices within the organization which will serve to embed the information. Part of this involves the nature of the communication channels themselves, their efficiency and effectiveness. There have to be systems in place to ensure that the plans and policies of the organization are being implemented and where there may be problems which can lead to their revision and improvement. Ghoshal & Bartlett (1990) support this view by indicating that clear standards for the new plan/value, consistent incentives and sanctions to reinforce the rhetoric, and formal opportunities to provide feedback should be established to foster the flow of organizational rhetoric.

However, a critical concern for the rules of the game is “a set of assumption, norms, values and incentives - usually implicit - about how to interpret organizational reality, what constitutes appropriate behavior, how to succeed.” (Ocasio, 1997: 196) These rules are products of the firm’s history and culture; and they determine to a large extent the boundaries of strategic decision-making and organizational responses to competitor moves. They are strongly bound up with the concept of organizational identity (Gioia & Thomas, 1996) which is defined as “the set of constructs individuals use to describe what is central, distinctive and enduring about their organization.” (Reger et al., 1994a: 568) Reger et al. (1994a) also suggest that resistance to organizational initiatives occurs because beliefs about the organization’s identity constrain employees’ understanding and create cognitive opposition to change efforts and their rhetoric.
Another critical issue is that political behavior within and among groups, may affect interpretation of organizational rhetoric. According to Cyert & March (1963), organizations represent environments where individual and coalitions seek to impose their views on organizational issues and to effect control on decision-making. As a result, various factions or individuals may attempt to distort information in order to protect their self-interest (Thomas et al., 1994).

**Characteristics of the recipient** - Selective perception is another key concern for resistance to organizational rhetoric (Beyer et al., 1997). It refers to the phenomenon that managers only attend to the information in a situation which relates specifically to the activities of their department. Such practice is a sub-optimal information processing strategy and militates against organization-wide rhetoric (Walsh, 1988). Cohen & Levinthal (1990) argue that employees’ motivation to accept the rhetoric is affected by calculations as to whether they tend to benefit or be adversely affected by the proposed rhetoric of change, and whether the change is convincingly framed and supported by enabling structures such as communications, rewards and career management approaches.

In sum, these considerations show that implementing major initiatives such as human capital is complex and integrating the understanding of human capital within employees with their everyday reality of work is far from a well-understood phenomenon. The introduction of human capital into the organization requires attention to the change dynamics highlighted above, and given these are organization-wide issues, the difficulty of securing acceptance of the human capital program become even more considerable.

**2.7 Chapter summary**
This chapter has examined the human capital literature and identified a number of key issues concerning human capital development. Definitions of human capital are briefly discussed, followed by a review of human capital and the related field of human resource management. The performance potential of human capital is investigated and so too the complementary dimensions of human capital, which are intellectual, social and organizational. Critical views on the espoused theory and theory in use of human capital development within an organization are highlighted to provide a basis for further research. In particular, the human capital concept has flourished in the economics community for decades prior to being gradually adopted and institutionalized at the organizational level. While the debate around human capital concepts seems to be a main focus in the literature, there is no explicit
theoretical framework and empirical evidence on the link (and lack thereof) between the intentions of management and the practical implementation of human capital development in an organization.

Therefore, it is these issues that this dissertation examines, and by so doing explicitly responds to calls to develop a more empirically grounded understanding of human capital (e.g., Crutchfield, 2000; Delery & Doty, 1996; Nordhaug, 1993). Traditional research on human capital has emphasized linking human capital measurement with organizational outcomes (Fitz-enz & Davison, 2002; Fitz-enz, 2000; Friedman et al., 1998) but methodologically what is required is an emphasis on how human capital becomes embedded, and what enables and constrains human capital development in an organization. And that requires an in-depth investigation of specific practices and reactions to which this dissertation aims to contribute. However, this study does not seek to address issues of linkage between human capital and organizational performance. Rather, the focus is on the adoption, use and retention of human capital within the organization. In other words, the author seeks to identify how an organization interprets the meaning of human capital, adopts a particular version of human capital principles for use, and then seeks to shift employees’ understanding of their everyday reality to encompass human capital initiatives. The study follows the path from senior manager intention to delivery, and how the processes of employee interpretation affect the development of human capital.
Chapter 3
Research Methodology

“A social fact is every way of acting...capable of exercising on the individual and external constraint.”
- Durkheim

3.1 Chapter overview
This chapter presents a detailed description of the methodological approach of the study. Philosophical concerns are discussed in order to seek appropriateness in making a choice of research approaches. As stated in the literature review, it is found that there is no explicit theoretical framework put forward and empirical evidence revealed to explain the rhetoric and reality of human capital development in an organization. To remedy the theoretical underdevelopment, at least in part, an exploratory and inductive approach (Cooper & Schindler, 1998; Hamel et al., 1993) is adopted for this research. A case study design, using multiple methods, is chosen to capture context-rich data and to ensure the validity and reliability of the research (Gratton et al., 1999).

3.2 Research approach in context
Over the years there has been an extensive debate on the theoretical divide between positivism and interpretivism (Knorr-Cetina & Murray, 1983; Reason & Rowen, 1981). These views essentially mark alternative inquiries within which the same subject or incident is observed to uncover different aspects of reality. Methodologically, the notion of theory building vis-à-vis theory testing is generally linked to discussions of the appropriateness of quantitative and qualitative research approaches.

Positivists regard the existence of the social world as an external entity where its qualities should be objectively measured with scientific methods, rather than being inferred subjectively through sensational, reflective or intuitive capabilities (Easterby-Smith et al., 2002). Also, they equate social sciences with natural sciences in such a way that the logic of causal inference and hypothetical inquisition is predicated to develop universal laws (King et al., 1994). The assumption of positivism is related to the scientific value derived from “objective knowledge” or facts largely uncovered from quantitative practices and
hypothetico-deductive approaches (Gill & Johnson, 2002; Robson, 2002). However, some social scientists argue that positivism fails to embrace adequately the dynamics of social phenomena, thereby casting doubt on how research involving people could and should be carried out. For this reason, the process of the interpretivist approach emerges to elucidate the meanings of purposeful human action/interaction in a particular setting on the grounds that knowledge is never free of value judgments and interpretations (Habermas, 1972). And not all knowledge comes from the result of objective measures (Easterby-Smith et al., 2002, 1991). Social constructionism and interpretivism are interrelated in that people focus on interpreting experience and making sense of what the world is (Schwandt, 1998; Denzin, 1989). The bottom line is that the complexity of social settings is constructed by people, both individually and collectively, rather than by external forces or fundamental rules. Table 3.1 is a summary of key contrasting implications of positivism and social constructionism.

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<th>Table 3.1</th>
<th>Key contrasting implications of positivism and social constructionism</th>
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<td><strong>Philosophical beliefs</strong></td>
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<td>External and objective</td>
<td>Socially constructed and subjective</td>
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<td><strong>Explanations</strong></td>
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<td><strong>Research stances</strong></td>
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<td>Reducing to simplest terms</td>
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<td><strong>Generalization</strong></td>
<td>Statistical probability</td>
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</table>

Source: Adapted from Easterby-Smith et al. (2002: 30)

Naturally embraced by positivism, the quantitative approach provides a wide coverage of various situations to be studied at a fast and economical pace. Statistical values aggregated from large samples may be of considerable significance in making practical decisions since perceptions are transformed into pre-structured and quantifiable categories (Alvesson & Deetz, 2000). Clarity of the statistical methods enables the replication of the studies to be achieved. Nonetheless, quantification leaves little space for the researchers to understand effectively how people interpret and behave in a social context. Also, “they are not very helpful in generating theories; and because they focus on what is, or what has been recently, they make it hard for policy makers to infer what changes and actions should take place in the future.” (Easterby-Smith et al., 2002: 42)
On the contrary, the *qualitative approach* in association with the interpretivist position is adopted to explore the particular social construction. Qualitative methods (i.e., in-depth interviews, observations and ethnographic participations) allow social scientists to yield broad and rich descriptions of the individuals’ meanings. A natural interpretation of the world is vital in developing the innovative ideas and novel theories that emerge during the course of study (Alvesson & Deetz, 2000). Explanations of social phenomena are derived from the inductive tradition, which accounts for building general patterns of what has been observed. It is however prone to criticism in that variation of the individuals’ experience may cause biases in excessively subjective interpretations and less rational conceptualizations.

In fact, this theoretical divide is more observed in the breach. Many researchers operate in the middle ground, taking a pragmatic view in their attempt to understand phenomena, recognizing that different perspectives can add different and meaningful layers without necessarily conflicting or contradicting the others (Miles & Huberman, 1994; Lee, 1991). As Easterby-Smith *et al.* (1991: 26) argue: “increasingly there is a move among management researchers to develop methods and approaches which provide a middle ground, and some bridging between the two extreme viewpoints.” This stance is captured succinctly by Miles & Huberman (1994: 4): “we think that social phenomenon exist not only in the mind but also in the objective world – and that some lawful and reasonably stable relationships are to be found among them.”

In research on human capital development, this means combining data from different sources can be mutually enriching (O’Reilly, 1994). Lee (1991) depicts that each perspective can add a meaningful layer without contradicting others. In the present study, to be discussed later in the chapter, the author has used different methodologies in the research design as advocated by Miles & Huberman (1994), Fielding & Fielding (1986) and Burrell & Morgan (1979) to provide more perspectives on the phenomena of human capital development in an organization.

### 3.2.1 Further theoretical scrutiny: A choice of research

At the outset of the study, selecting a suitable research approach with proper methodologies is a challenging engagement. The author needs to examine closely the pertinent literature on the subject so as to identify the right research focus and design.
Context determines the decisions taken in this research. In this study, the selected research approach is driven by the research questions and by the state of theory development on the topic. Apart from the author’s research interest in human capital development in a large organization, the existing human capital literature appears to be lacking in detailed empirical studies within organizations. Therefore, an exploratory study with the theory-building, qualitative approach is deemed appropriate to investigate the process of how the concept of human capital is translated into practice in a large corporation.

Qualitative inquiry is oriented particularly toward exploration, discovery and inductive logic (Patton, 2002). It serves as a powerful source of theory generation which is derived from fieldwork (e.g., active interviews and observations) in the real world (Robson, 2002). As Eisenhardt (1989: 548) suggests: “the theory-building process relies on past literature and empirical observation or experience as well as on the insight of the theorist to build incrementally more powerful theories.” The design of this study is intended to fit this description. That is to say, prior to delving into the empirical process, the assessment of the literature on human capital, from both macro and micro perspectives, is performed to portray a rounded picture of human capital development (see Section 3.3). Its detailed rationale is elaborated in the following section.

3.2.2 A case study approach: Justification of a single-case design

The case study approach aims to investigate “a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.” (Yin, 1994: 13) There are two main reasons that justify the suitability of the case study approach to this research. First, the potential gap between what is espoused and what is enacted in human capital development signals a lack of connection between the context and the phenomenon as it is interpreted (Gratton et al., 1999). Second, the “how” and “what” research questions are examined on the grounds that the investigator has little or no control over a contemporary set of phenomena (Yin, 1994).

Regarding the case study research design, the characteristics of single-case or multiple-case studies are closely examined. A common objective behind case study approaches is to consider what can be learnt from a case, rather than simply considering the extent of replication and generalization (Stake, 1995). Eisenhardt (1991: 621) supports such a
statement by addressing that “the concern is not whether two cases are better than one or four better than three. Rather, the appropriate number of cases depends upon how much is known and how much new information is likely to be learned from incremental cases.”

Given constraints of time, financial support and access, an embedded, single case study with multiple units of analysis is an appropriate design under four major rationales (Yin, 1994).

First, a selected single case is considered a representative of the research object. In order to tackle research inquiries, researchers need to select a case that targets what is to be explored and measured. The case selected should have adopted human capital initiatives within its organization at a significant level. As such, the case itself has significant quality that represents an interesting research object to be studied (Pettigrew, 1990).

Second, a case study is unique in context and contributes to theory development through a number of unit cases within a firm.

Third, a single case is analogous to a single experiment in which it may turn out to be a critical case.

Fourth, the insights of the phenomenon to be explored are revealing. Evidence from the relevant literature (e.g., Davenport, 1999b; Nordhaug, 1998, 1993) shows that the in-depth issue of human capital development in an organization is under-researched. The greater insights of the process-oriented study (Patton, 2002) are, hence, essential (see Note 3.1).

3.3 Research design and process
Crucial to the process of social science inquiry is a sound research design that aims to understand the phenomenon (Patton, 2002; King et al., 1994; Yin, 1994). It serves as a blueprint which maps out a logical sequence of data-gathering and evaluation. Much of its role has a connection with the process of how this research is systematically conducted. By following Yin’s work (1994), the components of research designs for case studies include research questions, units of analysis, logical data collection and the criteria for interpreting the findings. These elements are elaborated in conjunction with the process of building theory from case study research as proposed by Eisenhardt (1989).
Figure 3.1 depicts a research process of this study which encompasses three main phases: research formulation (Phase One), data collection (Phase Two) and data analysis (Phase Three).

**Figure 3.1 Case study research process**

Source: The author
**Phase One: Research formulation**

Exhaustively reviewing the pertinent literature (e.g., Gratton & Ghoshal, 2003; Truss, 2001a; Fitz-enz, 2000; Rastogi, 2000; Gratton *et al.*, 1999; Lepak & Snell, 1999; Legge, 1995; Nordhaug, 1993) sets the stage for research inquiries and allows the author to gain a better understanding of some important concepts of human capital. Extensive discussions with academic scholars help illuminate a potential direction of human capital research regarding empirical contributions to the field (Easterby-Smith *et al.*, 2002). By taking all these factors into consideration, a research gap can be identified.

**Research inquiries** - In this study, the major focus is on the adoption, use and retention of human capital within an organization, by examining the gap between the rhetoric and reality of developing human capital in particular. By following Zbaracki (1998: 605), rhetoric and reality are defined as “the relationship between what people say…and what people do.”

What the author tries to capture is managerial intent in introducing human capital into the organization, and also the issue of how organizational members interpret and respond to the rhetoric. Much of the human capital literature is prescriptive in tone and managerial in intent, specifying ideal models and broad descriptions as to how to develop human capital in organizations. What such models fail to reflect is the nature of multiple realities within the workplace and that “everyday realities are subject to ongoing negotiation.” (Zbaracki, 1998: 631) The author is thus interested in how human capital is constructed and how it becomes embedded – that is, how it may or may not gain legitimacy – within the organization; and how human capital is experienced by organizational members.

Conventional management wisdom explains that a gap between management’s intention and actionable executions is regarded as a barrier to organizational success (Pfeffer, 1994b). To date, much of the debate about changing managerial practices which employs the human capital concept has centered on the question of the extent to which the frameworks, theories and propositions about human capital are reflected in actual practices in work organizations (Keenoy, 1990). The present study is therefore intended to extend beyond previous research in the field of human capital in an organization (e.g., Gratton *et al.*, 1999; Nordhaug, 1993), by providing empirical evidence on which key dimensions of human capital development are involved in created for such a gap.
Case selection and access - Given the author’s motivation to study the depth of the human capital development process in an organization, a single case study is selected. This allows detailed empirical investigations to be extensively analyzed. Also, constraints in time and resources leave the author with few choices in the cases to be studied. Based on the exhaustive literature reviewed and research questions, a number of case candidates, with a focus on their HR policies, are collected through different sources, such as the Internet and firms’ prospectuses, to identify the most suitable fieldwork site. The nature of the business and industry is not a dominant requirement, but it needs to be relatively fast-moving in order to reflect today’s business environments.

• Why Kelly Foods International – European Union (KFI (EU))? - Among the few organization candidates, KFI (EU), a pseudonym, one of the world’s largest food companies, has been selected as the successful case candidate for two main reasons. First, it is a large organization that places a high value on human capital development. Not only does its HR policy strive to “become a human capital organization,” but also it actively “develops employees’ human capital” through a series of corporate initiatives, such as training and development programs. This case selection criterion follows the suggestion of Pettigrew (1990) who states that a case selected needs to be highly relevant and provides critical incidents and social dramas in accordance with the topic of the study. Second, the author is able to gain access to the firm; this is facilitated by a manager at KFI (EU). Gaining access to the research site and securing permission to conduct research are two of the largest impediments (Hornsby-Smith, 1993). Negotiating for access hinges upon extensive discussions to establish a rapport through common interests and mutual benefits between the author and the firm. In order to receive official support for the PhD project, the author needs to make a research proposal presentation to a team of HR/MOD KFI (EU) executives (see Note 3.2). When permission is given, further research steps can be undertaken. In brief, KFI (EU) is intentionally selected on purpose because its characteristics meet the requirement of the study better than other case candidates. Although it may not be representative of a wider sample of major companies, the value of superior representation depends on the case itself, rather than a number of the cases (Hamel et al., 1993).
- **Fieldwork site focus** - According to the nature of the KFI (EU) structure, selection of case study sites is contingent upon pragmatic considerations: access, budgets and study timeframes. Since KFI (EU) operates in 13 countries and one region across Europe (see Note 3.3), it is impossible for the author to study all business units of KFI (EU) due to time and resource constraints. Therefore, a more focus on site selection, mainly determined by access, is required to draw a manageable scope of study. Among business units in various countries approached, KFI (EU-Nordic), comprising Denmark, Estonia, Finland, Norway and Sweden, is constituted to be an appropriate setting for the study based on two reasons. *First*, the uniqueness of the case rests on the fact that KFI (EU-Nordic) has placed a strong value on developing human capital as a strategy to building a competitive advantage. Although, in theory, human capital strategies are adopted by business units, actual practices may be varied in different organizational settings, such as functional departments (Gratton *et al.*, 1999). In this context, the company would clearly be seen to have an espoused theory of human capital which could be investigated and mapped against the theory-in-use experienced by employees. *Second*, given the organizational structure of KFI (EU-Nordic), it would potentially bring forth the debate over how human capital becomes embedded (or not) within such a structurally complex organization.

**Units of analysis and measurement level** - The study design specifies a number of units of analysis. A primary focus on the units of analysis is to target research inquiries (Patton, 2002) and locate data collection sources (Yin, 1994). Also, clarity of the measurement level needs to be addressed prior to gathering data (Easterby-Smith *et al.*, 2002). The author initially treats KFI (EU-Nordic) as a single case where organizational members’ perceptions from different management levels (i.e., strategic unit, business unit and operations unit) are considered multiple units of analysis (see Figure 3.2). The measurement level is grounded on an individual basis, rather than an organization basis, since the research inquiries seek to understand how people perceive or react toward the concept of human capital development in an organizational setting. As such, the data collection source relies on individuals rather than on the organization (Yin, 1994). To identify the conceptual gap in human capital issues, divergent individual views from key people at the senior management level (i.e., policy makers and executives) and the middle-management level (i.e., managers and employees) are drawn to mirror a collective portrait of the phenomenon, as suggested by Gratton *et al.* (1999). Each group of people
may have disparate interpretations of the same issue. Notably, only the managers and employees from business units in Denmark, Norway and Sweden take part in the research. The Estonia and Finland offices, with few employees hired, are excluded from the study because they are less actively involved in corporate activities.

Archival data and secondary data about KFI (EU) and KFI (EU-Nordic), together with relevant corporate initiative details, are collected and reviewed to map out key aspects of the issues studied. Synthesizing the literature review and firm’s information is regarded as an essential step in preparing questions for focus groups, of which their result are duly analyzed.

**Figure 3.2 Units of analysis and measurement level**

<table>
<thead>
<tr>
<th>KFI (EU) policy makers</th>
<th>Human capital conception and corporate initiatives implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>KFI (EU-Nordic) executives</td>
<td></td>
</tr>
<tr>
<td>Managers in business units</td>
<td></td>
</tr>
<tr>
<td>Employees in business units</td>
<td>Rhetoric</td>
</tr>
<tr>
<td></td>
<td>Reality</td>
</tr>
</tbody>
</table>

Source: The author

**Phase Two: Data collection**

The second phase is concerned with the data collection process. At this stage, methodological options and their implications are discussed to justify the value of research appropriateness. The criteria for making decisions on methods selected rest on the purpose of the study, the nature of research inquiries and consideration of the strengths and weaknesses in each methodological application. Underlined by this logic, the credibility of the findings is likely to be accomplished. Such quality is assessed by the degree of validity and reliability of the methods (see Section 3.3.1). To increase scope, depth and consistency in methodological proceedings, triangulation is conceptualized as a strategy for validating results (Patton, 2002). Below are the themes of triangulation that describe an investigation procedure of the case study along with the notions of validity and reliability.
**Triangulation** - A combination of data collection methods is used to compensate for the weaknesses of any single method employed. Different biases and pitfalls of the methodologies are counterbalanced by an attempt to leverage validity (Jick, 1979). A challenge for the author is to figure out which design and methods are most appropriate, productive and useful in a given situation. Among various triangulation typologies, two types of triangulation are employed: data and methodological triangulations (Denzin, 1989, 1978). *Data triangulation* refers to the use of different data sources to cross-check the consistency of the data, such as comparing the viewpoints of people from different management levels with documents of corporate initiatives. *Methodological triangulation* is concerned with the use of multiple methods to study a single case. In this research, the author adopts the idea of Yin (1994) by utilizing a mix of qualitative and quantitative data, thereby averaging out biases (Jick, 1979). The two research methods can complement each other (Seale, 1999). Moreover, the author’s confidence in selecting proper triangulations is strengthened by following a multi-method approach used in the preceding HR case research works, such as the studies of Truss (2001a) and of Gratton *et al.* (1999). The reward for use of multiple methods is “likely to be increased validity” (Snow & Thomas, 1994: 474) and robustness in the findings. Throughout the eight months of the data collection period, four principal research methods are utilized for this PhD project: focus groups, questionnaires, semi-structured interviews and documentary analyses, which are described in the ensuing sections. These methods are wide-ranging enough to tap a variety of human capital dimensions.
**Focus groups** - A focus group method allows the author to probe a general subject of human capital and “check” the pulse of organizational alertness on human capital issues. The product of the focus groups is a list of core subjects and behavioral observations on the topics discussed (Cooper & Schindler, 1998). Prior to conducting the focus groups, extensive meetings with the key executives of KFI (EU-Nordic) are arranged to fine-tune the process of data collection, by identifying targeted informant groups, study locations and potential open-ended questions to be asked. In total, six focus groups, comprising 27 informants (22 from the management level and 5 from the non-management level) are organized in three business units within three months (see Table 3.2). Each focus group lasts approximately one and a half to two hours, depending on the degree of participation and the amount of information elaborated upon. The author plays the role of facilitator to moderate intense discussions in English and to promote interactions among participants. Discussions in focus groups are primarily based on their understanding of human capital, both in general and in KFI (EU-Nordic)-specific context, and broad perceptions toward human capital programs in which they have participated. Case descriptions transcribed from tape recording and personal notepads are produced and analyzed through the content analysis technique.

**Questionnaires** - Preliminary results from focus groups help the author assemble a skeleton of the human capital concepts and practices in KFI (EU-Nordic). A question
arises about the issue of representation of the informants in focus groups, whether it be rich enough to establish the grounded work. For this reason, the questionnaire method is introduced to resolve this problem and “to increase the validity” (Gratton et al., 1999: 17) of the data collection process. Questionnaires used in this research are considered an instrument to illustrate additional data in support of qualitative analysis (Patton, 2002) and by no means designed for testing human capital theory. The purpose of employing the questionnaires is twofold. First, it is intended to enlarge the sample scale of diverse informants (i.e., managers and direct reports) so as to tap into multidimensional views of human capital development. Second, it aims to generate a list of voluntary interviewees. In the questionnaire, there is a checkbox for respondents to declare whether or not they are willing to be interviewed as part of the study. Such a strategy eases the workload of the contact manager at KFI (EU-Nordic) in screening the number of interviewees for this project. Additionally, it opens up a channel for those respondents who actually intend to “speak up” more on human capital issues within their organization and the like.

Two sets of questionnaires are derived from the preliminary findings of focus groups, with an emphasis on human capital issues, and the relevant literature. They are designed for different targeted groups of respondents (i.e., managers and direct reports). These key issues of human capital are strengthened by support of the literature (e.g., Gratton et al., 1999; Lepak & Snell, 1999; Legge, 1995; Nordhaug, 1993; Mowday et al., 1982). The 35 close-ended statements are constructed and measured on the basis of a five-point Likert-type scale, ranging from “strongly disagree” coded with 1 to “strongly agree” coded with 5.

After being approved by the KFI (EU-Nordic) executives, 142 web-based questionnaires are electronically distributed to targeted respondents (65 managers and 77 direct reports across three business units) through purposeful sampling (Robson, 2002, 1993). That is, the contact manager at KFI (EU-Nordic) produces a list of 142 potential respondents (middle managers and direct reports) from various departments. According to sample size determination, Cooper & Schindler (1998) suggest that the sample size which exceeds five percent of the population samples studied (i.e., middle managers and direct reports) can be considered an acceptable representation of data. In this case, of 800 KFI (EU-Nordic) employees (population samples), 142 potential respondents constitute 17.75% of the population samples. Follow-up e-mails are sent twice, in particular to
those who have not submitted the questionnaires at the end of the first week and of the second week, in order to boost up the response rate. All responses are systematically administered by the author. Finally, the response rate of 58 percent (or 82 respondents in total) is achieved by the end of the third week after the launch. The detailed breakdowns are depicted in Table 3.3.

**Table 3.3** Questionnaire response rate breakdowns

<table>
<thead>
<tr>
<th>Business units</th>
<th>Respondent groups</th>
<th>% of response rates</th>
<th>No. of respondents</th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark, Norway, Sweden</td>
<td>Managers and direct reports</td>
<td>58%</td>
<td>82</td>
<td>142</td>
</tr>
<tr>
<td>Denmark, Norway, Sweden</td>
<td>Managers</td>
<td>69%</td>
<td>45</td>
<td>65</td>
</tr>
<tr>
<td>Denmark, Norway, Sweden</td>
<td>Direct reports</td>
<td>44%</td>
<td>34</td>
<td>77</td>
</tr>
<tr>
<td>Denmark</td>
<td>Managers</td>
<td>50%</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>Denmark</td>
<td>Direct reports</td>
<td>32%</td>
<td>6</td>
<td>19</td>
</tr>
<tr>
<td>Norway</td>
<td>Managers</td>
<td>83%</td>
<td>19</td>
<td>23</td>
</tr>
<tr>
<td>Norway</td>
<td>Direct reports</td>
<td>50%</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>Sweden</td>
<td>Managers</td>
<td>67%</td>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td>Sweden</td>
<td>Direct reports</td>
<td>48%</td>
<td>20</td>
<td>42</td>
</tr>
<tr>
<td>Anonymous</td>
<td>Anonymous</td>
<td>2%</td>
<td>3</td>
<td>142</td>
</tr>
</tbody>
</table>

Note: n = The total number of potential respondents who receives the questionnaires.
Source: The author

*Semi-structured interviews* - This type of interview is widely used in flexible designs to allow the author to gain insights into informants' perspectives on particular subjects (Flick, 2002; Robson, 2002). Since interviewees have a complex repertoire of knowledge about the topic under study, structured interviewing is deemed inappropriate. Nor does it enable a large degree of interactions between the interviewers and interviewees to take place. The method of semi-structured interviews is selected for two reasons: enabling the interviewer to gain communicative validation (Robson, 2002), and following some divergent themes emerging from interviews (Mason, 2002). In this research, although a list of the human-capital-related questions is formulated to cover a wide range of key topics, multiple views of the interviewees tend to give rise to follow-up questions for exploring more details.
A fundamental challenge is whether the researcher can ask the right questions to the right informants, especially those who play a major role in engaging the human capital concepts with practices. By following descriptions of organizational levels (Mintzberg, 1983) and the work of Gratton et al. (1999), the author conducts interviews at three different levels: senior managers, middle managers and direct reports, including human resource officers. For the corporate rhetoric part, one of the key informants is the KFI (EU) HR/MOD director, whereas HR directors, middle managers and direct reports of KFI (EU-Nordic) are crucial informants who reflect practical reality. This allows the author to gain multiple views and perceptions of the same issue studied. In total, 40 interviews are carried out over a seven-month period. Table 3.4 illustrates the dispersal of interviews by the key informants. Open-ended interview questions for different informants are adapted from the relevant literature (e.g., Antonacopoulou, 2001; Gratton et al., 1999) and the preliminary findings from focus groups. The contents of the questions are basically similar in theme but slightly modified in terms of the language used to cater to each group of interviewees. The author needs to refine some of the questions, as research progresses, in response to any emerging issues for future interviews.

Since the interviewees to be reached are geographically dispersed, the phone interview is an apt method. This is to lower cost and time spent on travel. It provides a considerable amount of flexibility to both the interviewer and the interviewees, who are able to arrange these interviews around their schedules as convenient. Despite these advantages, there
are two drawbacks of the phone interview: the need to build a relationship and the important of visible cues in conversations (Rubin & Rubin, 1995). A lack of visual cues may cause problems in interpretation and undermines the quality of interviewing. However, this problem can be overcome by communicative validation during the course of the interview, or reinforcing the key point of discussions to verify the meaning of the interviewee’s remarks. In connection with that, it seems to be challenging to interview an informant on the phone when a relationship between an interviewer and an interviewee has not been established. In this study, it may not be the case because, in the questionnaire, the interviewees have addressed their intention to take part in the interview. That implicitly means they are willing to “speak up” more on human capital issues without any established relationship required.

Averaging 40 minutes, each phone interview varies in length from 30 minutes to 50 minutes, as determined by the interviewees’ schedules and their talkativeness. Interviews are conducted in English. All interviewees’ language proficiency is high in standard. Interview note materials are consistently produced for supplementary references. The traditional interview format begins with the interviewer’s introduction, including a brief explanation of the study and confidentiality consent, “warm up” questions to generally probe the context of human capital, specific questions to focus on the core themes studied, and closure questions with open-ended styles like “Do you have any final remarks to add on the subject?” (see Appendix F). In some cases, permission from the interviewees is given for follow-up contacts, thereby enabling the author to gain clarification and elaboration on key issues.

The author makes great efforts to influence to the least extent possible the interviewees, by not explaining what kind of answers is sought, guiding how complete it should be or raising the issues to lead in the desired responses. The interviews avoid reference to the more academic language of human capital concepts. The author tries to tap into a pool of the natural language that the interviewees can understand easily. Tape recordings of the interviews are transcribed as case descriptions for interpretations, through the content analysis technique. Each interview transcription is completed within the same day of the interviews so as to maximize the interviewer’s memory recall.
**Documentary analyses** - In support of the interviews, archival data and relevant written materials are evaluated to gain a better understanding of how the concept of human capital is introduced and diffused in practice. Also, they serve as crucial references with which the author can assess the implementation outcomes. The documentation data include presentation slides of HR strategies, corporate initiatives (training manuals and feedback reports), company prospectuses, annual reports, employee survey results and public press.

**Phase Three: Data analysis**

Given the nature of the research inquiries in this study, qualitative investigations are primarily sought to unveil the individual perceptions of human capital, together with examining the process-oriented practices of human capital in the firm.

Since a multi-method approach is adopted in this research, two processes of data analysis are separately performed to elucidate the descriptions of the findings. One of them involves a qualitative data analysis for focus groups, interviews and documentary evidence; the other refers to basic statistical analysis for questionnaires (see Figure 3.3). A combination of qualitative interviews and quantitative perceptual ratings give a more balanced picture than selected interviews alone can provide (Miles & Huberman, 1994).

![Figure 3.3 Data analysis process](image)

**Source:** The author

In the first process, the data are qualitatively content-analyzed in a sequential manner. The spirit of qualitative analyses essentially lies in making sense of massive amounts of data and translating the intangible ideas into comprehensive frameworks. Patton (2002) suggests that a primary step in qualitative analysis is to categorize some manageable
classification or coding system. Such a system underpins the content analysis, which encompasses the functions of identifying, coding, categorizing, classifying and labeling the pre-eminent patterns in the contents of focus groups and interviews, thereby enabling the researcher to determine their substantive significance. In this respect, the author adopts the content analysis technique with thematic conceptual matrices as developed by Patton (2002), Cooper & Schindler (1998) and Miles & Huberman (1994). It is used to explore a number of aspects of the context and key dimensions of human capital development. These dimensions are inserted in each column of the matrix. For example, the major domains of human capital development in the KFI (EU-Nordic) context are of the topics related to corporate strategy, organizational structure and HR management. They are placed in each row of the matrix. Brief descriptive statements asserted in transcriptions are carefully interpreted to corroborate each highlighted dimension against the domains in the columns. From there, the (in)consistency of thematic patterns can be mapped out through the categorical issues emerged and clustered into recurring themes. A greater challenge is presented when pattern analyses across matrices have to be performed. To strengthen their validity, the provisional findings are closely examined by research colleagues.

The second process deals with basic statistical analysis in interpreting data. Each item in the questionnaire is systematically coded in the spreadsheet. All the data collected are in the summated rating scale (Cooper & Schindler, 1998) of which each response is given a numerical score to reflect its degree of attitudinal preferences, and the scores are summed up to measure the respondent’s attitude through a descriptive statistical method.

The quantitative results obtained prior to conducting the interviews provide a broader understanding of specific human capital issues to be further investigated. Some of the results seem to confirm the preliminary findings, whereas, more interestingly, many responses contrast with the findings derived from the focus groups. Hence, validation of this variation is subsequently called for.
3.3.1 Validity and reliability

Sound measurements indicate, to a certain extent, valid and reliable findings. The notions of validity and reliability need to be maximized in any case study design so as to attain a bias-free research context. By following the works of Denscombe (2002) and Miles & Huberman (1994), validity and reliability achieved through the selection of appropriate methodology are examined.

**Validity** - It concerns the accuracy of the questions asked, the data collected and the explanations offered (Denscombe, 2002). By inquiring the right conceptual questions and using the right indicators, *content validity* is established through “correct operational measures for the concepts being studied.” (Yin, 1994: 33) The research inquiries are formulated on the grounds that there is a deficiency of knowledge in bridging the gap between the rhetoric and reality of developing human capital in an organization. The relevant literature is extensively reviewed. Also, a comprehensive discussion with scholars and managers specialized in the subject of human capital helps to refine and justify the research inquiries. Moreover, given the presence of people’s perceptions, a single source of evidence may produce less reflection of reality, whereas individual psychological complexities exist in each informant (Toulson & Smith, 1994). As such, in order to achieve accuracy of the findings, data and methodological triangulations, as described in Phase Two, play a significant role in leveraging the degree of *construct validity*. The rich insights of the findings are derived from “thick” transcriptions of interviews, extensive field notes of general observations and analysis of documentary materials. A variety of these measures used to obtain information from multiple key informants across job functions allows the author to investigate diverse aspects of human capital development. They are to be confirmatory of human capital theory in the extant literature prior to drawing any conclusion of the research.

**Reliability** - This refers to “the degree to which alternative forms of the same measure produce same or similar results.” (Cooper & Schindler, 1998: 171) It begins with whether the features of the study design are congruent with the research inquiries. A case design approach in this study is appropriate to explore the “how” and “what” research inquiries (Yin, 1994), where data are collected, with the aim of responding to those inquiries, across a wide range of multiple field-informants (i.e., middle managers and employees) and different organizational settings (i.e., business units in Denmark, Norway
and Sweden). During the data collection process, questionnaires and interview questions are cross-checked with the author’s colleagues, KFI (EU-Nordic) executives, managers and employees to enhance reliability of the measure. These questions are designed to address some of the important human capital issues across the number of informants. Also, they are adapted from the preceding work of academic researchers (e.g., Gratton et al., 1999; Legge, 1995; Nordhaug, 1993). As a result, the findings tend to lie in a scope of multidimensional constructs which are connected to human capital theory.

3.4 Chapter summary
This chapter has presented a broad range of issues concerning the choice of research approaches and methods used in the study. A debate on philosophical research positions provides differing dimensions of research options which help determine a focus of this PhD research. Although multiple case studies permit replication and generalization, they may not allow the author to obtain the insights of the process needed to be investigated. This study therefore endorses the single-case design with the aim of empirically exploring diverse themes of human capital development in KFI (EU-Nordic). A methodological approach using triangulation provides for strengthened validity and reliability of the findings. Three phases of the data collection process demonstrate the methodical procedures within which the data analysis lies. In brief, this exploratory research is conducted on the basis of a qualitative approach with multiple methods employed to yield the key findings.
Part II

Empirical Analysis and Conclusions
Chapter 4
Case Findings and Analysis

“One of the most critical things I have learnt is not simply coming up with the vision and strategy but turning them into reality...Having the vision, being able to engage the team and making it happen in a record of time is absolutely challenging yet rewarding.”
- Former Co-CEO of Kelly Foods Inc.

4.1 Chapter overview
This chapter presents the findings of the research, beginning with an overview of the case, followed by the key dimensions to the rhetoric in light of human capital development in the organization, notably corporate strategic rhetoric, corporate structural rhetoric and HR management rhetoric. The author investigates how this rhetoric is developed and diffused by senior management and examines the reality experienced by employees through their interpretations for accommodating and amending the rhetoric to suit individual interests. The nature of sensemaking about the rhetoric and reality of human capital within the firm is then examined. The chapter concludes with a framework of human capital development.

4.2 Case backgrounds: Kelly Foods Inc. and Kelly Foods International
Kelly Foods Inc. (KF), together with its subsidiaries, is the largest branded food and beverage company in North America and the second largest worldwide. Headquartered in Illinois, USA, it sells a wide range of products in over 149 countries and operates 228 manufacturing facilities, with 114,000 workers employed around the world. According to AC Nielsen statistics, KF’s brands are found in more than 99% of all households in the United States. Prior to June 2001, KF had been a wholly-owned subsidiary of Bauer Group, Inc. (formerly PM Companies Inc.). As of December 2002, the company has generated net revenues of US$29.7 billion. KF conducts its global business through two subsidiaries: Kelly Foods North America, Inc. (KFNA) and Kelly Foods International (KFI). KFNA manages its operations by product category, while KFI manages its operations by geographic region. KFNA’s core sectors are Cheese, Meals and Enhancers; Biscuits, Snacks and Confectionery; Beverages, Desserts and Cereals; and Oscar Mayor and Pizza. KFI’s business spans three main regions, namely Asia Pacific and Latin
America; Africa, Central & Eastern Europe and Middle East; and Europe (see Figure 4.1),
each of which encompasses its own powerful portfolio of well-recognized brands under
numerous product categories. The chief competitors of KFI include Nestlé, Unilever,
Dairy Farmers of America and Campbell Soup Company.

**Figure 4.1** Corporate structure of Kelly Foods Inc.

Note: The shaded boxes are the focus of the study.
Source: Adapted from www.kellyfoodsnordic.com (accessed in June 2003)

### 4.2.1 Kelly Foods International (European Region - Nordic)

Kelly Foods International (European Region), or KFI (EU), with headquarters in London,
UK, operates its subsidiaries in 13 European countries and the Nordic region, comprising
Denmark, Estonia & Finland, Norway and Sweden. A subsidiary of KFI (EU), Kelly
Foods International (European Region – Nordic) (henceforth KFI (EU-Nordic))
successfully positions itself as one of the top financial performers with approximately one
billion US dollars in revenue. It is also ranked as the largest food producer in the
Scandinavian area (Datamonitor, 2003). Throughout its history, KFI (EU-Nordic) has
built its brand portfolios internally through a record of making acquisitions over high-
potential local brands, thereby enhancing long-term performance in each Nordic country
(see Appendix G). This strategy helps jump-start businesses in fast-growing product
categories and countries enabling the company to expand the scale and scope of its
existing businesses. Multiple acquisitions under new merging corporate names seem not
to reflect the core identity of the organization as a whole. As a result, in the year 2000, KFI renamed its subsidiaries in Europe as one common global name – Kelly Foods (followed by the country operated therein) – such as Kelly Foods (Norway) and Kelly Foods (Sweden). The objective is to establish a common vision and identity across all of the affiliates and regions of KFI (EU).

KFI (EU-Nordic) has continuously built upon a wide array of industry-leading brands in four main product divisions: Confectionery, Coffee, Food and Snacks. Not only do the products of KFI (EU-Nordic) serve the Nordic market, but also some are exported to other European countries, such as Germany and Switzerland. The best selling brands in each category are as follows:

- **Confectionery (Chocolate):** Maribu (Sweden), Frada (Norway), Damy (Denmark)
- **Coffee:** Genavia (Denmark and Sweden)
- **Food (Cheese and chocolate drink):** Philly and O’Gal (Nordic countries)
- **Snacks (Assorted salty snacks):** Estroya (Denmark and Sweden), Mariah (Norway)

<table>
<thead>
<tr>
<th>Countries</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>260</td>
</tr>
<tr>
<td>Estonia</td>
<td>10</td>
</tr>
<tr>
<td>Finland</td>
<td>110</td>
</tr>
<tr>
<td>Norway</td>
<td>1,000</td>
</tr>
<tr>
<td>Sweden</td>
<td>1,500</td>
</tr>
</tbody>
</table>


There are approximately 2,880 employees working for Kelly (EU-Nordic) in both business units and operations across five Nordic countries, as shown in Table 4.1. Despite geographic dispersal, these Nordic nations are treated as a single region under the umbrella of KFI (EU). In practice, the decentralized management system of KFI (EU-Nordic) rests on country-based organizational structures, which allows each subsidiary to concentrate fully on the individual markets. Recently, intensified competition in the Nordic food industry has provoked the executives of KFI (EU-Nordic) to redefine its management system and strategy. As such, revitalizing the optimal efficiency of resource
utilization and refining the scheme of capital mobilization are considered the major thrusts toward integrating the management practices as a “four-product-category-driven Nordic organization.” With the new corporate business structure, the management system of KFI (EU-Nordic) has been rearranged, as shown in Table 4.2. The corporate policies and strategies are formulated by the Nordic management team in both the Oslo headquarters (Norway) and the Upplands Vaesby business unit (Sweden), while the action plans are executed in each Nordic country. For instance, the financial disciplines in each KFI (EU-Nordic) subsidiary have to remain independent owing to different taxation principles and accounting regulations applied. Interestingly, some of the human resources functions, such as training and compensation, are organized at the Nordic level, whereas recruitment and selection remain locally executed. Information systems have been recently centralized upon the introduction of the EU-pan integrated business database, or so-called “SAP System.”

### Table 4.2 Management system of KFI (EU-Nordic)

<table>
<thead>
<tr>
<th>Functions</th>
<th>Policies and strategies (Nordic)</th>
<th>Executions (country level)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>Centralization</td>
<td>Decentralization</td>
</tr>
<tr>
<td>Marketing</td>
<td>Centralization</td>
<td>Decentralization</td>
</tr>
<tr>
<td>Corporate Affairs</td>
<td>Centralization</td>
<td>Decentralization</td>
</tr>
<tr>
<td>Operations</td>
<td>Centralization</td>
<td>Decentralization</td>
</tr>
<tr>
<td>Supply Chain</td>
<td>Centralization</td>
<td>Decentralization</td>
</tr>
<tr>
<td>Human Resource</td>
<td>Centralization</td>
<td>Semi-decentralization</td>
</tr>
<tr>
<td>Information Systems</td>
<td>Centralization</td>
<td>Centralization</td>
</tr>
<tr>
<td>Finance &amp; Accounting</td>
<td>Centralization</td>
<td>Decentralization</td>
</tr>
</tbody>
</table>

Source: KFI (EU-Nordic) profile review

The Confectionery, Snacks and Coffee categories are manufactured in eight plants, some of which are located on the premises of the business units (see Table 4.3). Some food products, such as chocolate beverages, are produced in Sweden, but others, like cheese, are mainly imported from other European countries. Each plant is autonomously responsible for the flow of the value chain process and distributes the finished products under individual leading brands in the respective countries. Some product categories are sold across the Nordic markets in order to augment the sales volume. The mission of the operations is to excel in purchasing, manufacturing and supply chain functions with
international quality standards. To realize this mission in light of corporate growth, the production facilities are equipped with state-of-the-art technology and machinery to support large-scale operations.

**Table 4.3** Business units and operating plants of KFI (EU-Nordic)

<table>
<thead>
<tr>
<th>Product categories</th>
<th>Locations</th>
<th>Business units</th>
<th>Operating plants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Confectionery</td>
<td>Oslo, Norway</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Upplands Vaesby, Sweden</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Snacks</td>
<td>Aalberg, Denmark*</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Dagsmark, Finland</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Disenaa, Norway</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Angered, Sweden</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>Coffee</td>
<td>Glostrup, Denmark</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Gaavle, Sweden</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Helsingfors, Finland</td>
<td>✓</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Tallinn, Estonia**</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

* To be closed at the end of the year 2004  
** A shared business unit located in Finland  
Source: KFI (EU-Nordic) profile review

4.3 Identifying determinants of the gap between rhetoric and reality

From the focus group and interview data, there are a number of recurring themes emerging out of the study which cover areas of human capital development, the rhetoric surrounding its introduction and implementation and the lived experience of employees. These themes, as outlined below, have strong echoes in the literature (e.g., Gratton, 2000; Gratton *et al.*, 1999; Yarnall, 1998; Kamoche, 1995; Legge, 1995; Weick, 1995):

1) **Corporate strategic rhetoric** – this dimension revolves around the rhetoric about creation and dissemination of vision and values, a new sense of strategic purpose, organizational climate and culture. This is the initial phase where the human capital rhetoric is primarily introduced. Following Weick (1995), it is at this point that middle managers and employees begin to form interpretations based on their relatively limited experiences of human capital and limited awareness of its
potential within the firm. The notion of how human capital ideas are enacted is therefore subject to the nature of their filters.

2) Corporate structural rhetoric – structural and cultural changes form part of the organizational rhetoric on human capital. In this case, senior managers develop ideas around the creation of a supportive and engaging corporate structure. They urge the breakdown of the previous silo mentality and the promise of a new culture in which social cohesion and teamwork will be the major elements of the working experience. Such rhetoric is designed to ensure that the infrastructure to deliver corporate strategy is in place. And that the employees feel momentum toward the new aims of developing their human capital as well as a sense that they cannot return to old ways of working (Crutchfield, 2000). This rhetoric has much in common with the idea of organizational capital, which is, by following the work of Snell et al. (2000a), defined as the provision of an appropriate corporate structure that encourages organizational members to deliver positive performance.

3) HR management rhetoric – as stated in the literature review, some scholars (e.g., Marchington & Grugulis, 2000; Schuler & Jackson, 1999) suggest that HR practices are fundamental and instrumental to develop human capital. In this case study, a series of HR practices, namely recruitment and selection, training and development, performance measurement and compensation and benefits, become central to the human capital initiative. These HR practices are promoted through corporate rhetoric as promising increased accuracy concerning right fit and right evaluation, and through the direct promise of developing employees’ skills, knowledge and behavior (Barton & Delbridge, 2004).

These dimensions are by no means independent, rather they are interconnected elements. The findings of the study suggest that, as discussed later in the chapter, the three dimensions are dependent on the sense made of them by individual employees. This is in line with the argument put forward by Argyris (1988: 259) who states: “in order for human beings to act, they must first understand what is going on and why.” It is also based on the rationale suggested in the work of Strong & Claiborn (1982), addressing that employees seek, in an interaction, to act upon what they justify in such a way to attain their value of intended consequences. All of these dimensions contain relevant themes.
that are involved in creating the conditions for both the espoused theory (what is said by senior managers or stated in the policy) and theory in use (what is enacted through employee experiences).

4.4 Corporate strategic rhetoric
At the time of research, the KFI (EU) senior managers play a powerful role in initially using changes in corporate vision and values, together with human capital strategy, to frame the introduction of human capital. It is therefore important to pay attention to the firm’s vision and values and human capital strategy statements. The following sections seek to explore the themes of vision and values (Section 4.4.1) in relation to human capital concepts (Section 4.4.2) and human capital strategy (Section 4.4.3). Evidence supporting the aforementioned themes is centered on the rhetoric (what is articulated by senior managers and stated in policies) and reality (what is enacted) experienced by employees, including middle managers, in KFI (EU-Nordic).

4.4.1 Vision and values
It is crucial to pay close attention to the vision document of KFI (EU) in order to explore the starting point of the introduction of human capital development within the organization. As traditionally suggested in the literature, the vision and values of an organization help form the concrete foundation for the firm (Cowley & Domb, 1997; Lipton, 1996) and, in the case of KFI (EU), reflect the firm’s belief in its employees as well as the business philosophy. In the company’s document, the KF’s vision of “to be the undisputed global food leader” is outlined with its descriptions as follows:

- **Consumers:** First choice –
  - *We understand the needs of consumers and constantly strive to satisfy and delight them.*
- **Customers:** Indispensable partner –
  - *We continually strive to improve how we do business with strategic alliances.*
- **Employees:** Employer of choice –
  - *We create a workplace environment that enables each of our employees to reach his/her maximum potential.*
- **Communities:** Responsible organization –
  - *We promote a sense of local citizenship to establish a positive force in the communities where we live, work and market our products.*
- **Competitors:** Undisputed category leader –
  - *We are recognized by our competitors as “best-in-class.”*
Investors: Food industry high-performer –

- We are a consistent producer of industry-leading financial performance and returns for our investors.

When the author probes beneath the surface, it is found that the corporate vision of KFI (EU) aims to reflect the organization’s efforts toward developing two important issues – the brands and the employees: “...Other elements of the vision can be changed over time but, ultimately, people and brands must stand and support the whole vision.” (Interview: HR Director of KFI (EU)) This comment has been echoed in the company’s annual report:

“At Kelly, we believe that we have the best people in the industry...We share local knowledge and build enterprise-wide understanding – so that the best people in the business can grow the best business in the industry.” (Internal Document)

By looking into the “employees” issue of the vision statement, it can be implied that the “employer of choice” title embodies KFI (EU)’s intended approach to managing people and developing human capital. This is an important point to which the author shall return. However, comments about the vision statement made by middle managers at the interviews reveal that it is not wholeheartedly supported. The vision statement is perceived as nothing more than an aspirational statement which would be extremely difficult to deliver. Also, critical views among middle managers arise when the vision statement does not appeal any precise aspect of the firm’s intention to develop its human capital:

“...All the words in the vision sentence look nice on the paper but carry a very big meaning, at least bigger than what I can imagine I can help the firm to reach.” (Plant Manager of Kelly Foods (Norway))

“...Sometimes senior managers make it [the vision statement] too hard for themselves to achieve in general and for employees in particular...It pretty much reflects what the firm wants to be but it is, of course, tough to pull off...Just bring the firm to the top, what about people?” (Maintenance Manager of Kelly Foods (Sweden))

There is thus a recognition that the utility of the vision does not lie in its concrete meaning but in its symbolic aspect, signaling a change of tone with the firm. This initial caution in interpreting the vision statement is susceptible to cynicism, which the author shall discuss later in the chapter.
Notably, the vision and values of KFI (EU), shown in Figure 4.2, are slightly different in detail from those of KF (see Appendix H), with regions translating them into localized contexts. This is deemed essential because of differences in brand portfolios, market conditions and specific implementation strategies in each geographical region.

From the interview data, it is found that the inclusion of the title “employer of choice” is intended to signal KFI (EU)’s human capital focus and commitment to enlightened HR management practices. Such an approach is driven by “demand-side” cues (Dutton & Dukerich, 1991). That is, from the employee survey report, employees point out that the firm’s previous emphasis on “tough love” in terms of HR management (Price, 2003) has created a negative effect on job satisfaction, individual performance and morale. Rather, there should be a more focus on employees’ development of abilities and skills:

“We have to show that we have softened our hard edges. It is a pretty unforgiving and relentless place to work, and turnover is getting high. ‘Tough love’ may have suited us when we are in a certain period, but given the focus on innovation, we can’t hold a sword over people any more…they need long-term skill development.” (Interview: HR Director of Kelly Foods (Norway))
Organizational members point to specific problems with the previous manner of managing people, including the high-speed culture, the unwillingness to tolerate mistakes, the excessive process-driven nature of the firm and the lack of fun and collegiality within the businesses. Across the firm, the demand for change is pressing. The data through employee surveys, turnover figures and appraisal meeting reports have supported this message. On the “supply side” (Zbaracki, 1998), human capital is seen by senior managers as a possible approach to increasing the effectiveness of HR management, to increasing the innovativeness of organizational members and to the gaining of commitment. Some comments are observed at the interviews:

“…Human capital is being used on other organizations, and it is getting a good press there. We ask a number of consultants to come and speak with us. They make good presentations and show us the benefits of the approach…We do benchmarking with other firms. We believe that we can use it and that will suit us.” (Interview: HR Director of Kelly Foods (Sweden))

“Human capital in relation to financial perspectives denotes the extent to which the firm invests in people to leverage [both] generic and firm-specific knowledge that all employees are in possession [thereof], so that they can deliver their best performance [to the firm], leading to a higher productivity and profitability.” (Interview: Financial Director of Kelly Foods (Norway))

“…It is important for policy makers and decision makers of the firm to understand what human capital can add to the firm’s value, so that they know how important it is and [thus] make a reasonable investment in developing human capital.” (Interview: Plant Manager of Kelly Foods (Norway))

In addition to studying organizational practices, experience of recent advances in the managerial and academic literature is also significant:

“…What we are particularly interested in is the link between human performance and financial outcomes. There is a series of the theoretical HR models widely researched and adapted by practitioners. It probably provides us a new insight of how human resources should be developed in order for the firm to maintain growth in an intensified competition…Upon our strong brands and global reputation, we have confidence [that] a breakthrough in HR models can help us to build on a solid platform [to stay competitive], despite adopting the similar human capital [concept] as other firms do. Ultimately, the actionable practices toward measurable results count for success.” (Interview: HR Director of KFI (EU))
Demands from competitive pressures force the company into seeking solutions to perceived HR management issues:

“...We operate in a fast moving industry with high competition where we aim to be ‘the undisputed global food leader.’ It is ambitious. In order to achieve that vision, we need to come up with new ways to develop our best people’s human capital, [which is] composed of well-rounded business knowledge, skills and positive attitudes to succeed. Otherwise, we will be way behind the competitors.” (Interview: Operations Controlling Director of Kelly Foods (Norway))

The statements above illustrate the mimetic nature of the company’s adoption of human capital. Understanding of human capital seems to be limited within KFI (EU); key external players, such as consultants and business partners, also bring a relatively limited knowledge of human capital to the company. Indeed, in this case, the limited nature of the understanding of human capital plays a significant role in shaping how human capital is developed within the organization.

The vision and values, and the notion of being an “employer of choice,” serve to provide a high-level rhetoric for the diffusion of human capital within the firm. There is however little technical content here as yet, just broad expressions of intent. The new vision and values are usually presented by senior managers at major corporate meetings in order to engage with all employees. Here, the vision and values set the scene for the coming detail of the human capital initiatives and introduce “a new way of making meaning or organizational action.” (Zbaracki, 1998: 616)

This development of the rhetoric of vision and values is subject to the interpretation of organizational members. Senior managers can create a high-minded set of values, but making people live with it is the most difficult part to achieve (Hollender, 2004). Employees begin to filter the information provided, seek to explore difficulties and understand the expectations that the introduction of human capital may bring:

“The corporate vision and core values make a lot of sense, though essentially drawn from theories in the textbooks, about what guiding principles to hold and where we are heading for. From the business’s point of view, they open up the door to innovation and strategic focus. [However,] some values are too broad that it leads to exceedingly divergent interpretations. For instance, the value of ‘speed’ causes much confusion [for managers and employees] in the organization. It means, to me, delivery of both quality and productivity, really. But I am not so sure
of other managers’ interpretations. And that may have an impact on what kinds of results they intend to deliver in reality.” (Interview: HR Director of KFI (EU))

Confusion over expectations such as highlighted in the above statement is common in the first instance, as employees seek to understand and make sense of the rhetoric being delivered. At this stage, the elements of human capital are found unclear:

“...We all agree that the corporate direction is well perceived as visionary. The problem comes to the point [of] how we manage the local organization in [congruence with] the global organization under the phenomenon that the business is [more or less] still in the local countries. [In particular,] we face a vision problem of ‘being an employer of choice.’ We see more and more gap between the management’s intentions and the delivery of [such] a vision. [Thus,] we have to be careful about how much we can expand the future business and how we can deliver results more effectively.” (Focus Group: HR Director of KFI (EU-Nordic))

Belief that the vision and values are unrealistic or even daunting is also typical:

“Such an aggressive vision makes us feel how important we are as employees because the company supports its employees to strive for high performance. However, I still doubt how I and my colleagues can contribute to such a big vision, especially concerning ‘speed.’ Does it mean that I have to work faster and faster?...What about the quality of work?” (Interview: Inventory Planner of Kelly Foods (Sweden))

Concerns that the new rhetoric may entail intensification of work are clearly evident here, directly countering to the espoused values being offered:

“...Our firm’s values sound nice but I am not sure [of] how employees can realize those in practice...Regarding Kelly as an employer of choice, I think, according to what is stated, a good workplace environment seems to drive people to work better in a sense but there are many more factors involved.” (Interview: Planning Coordinator of Kelly Foods (Norway))

These statements show that the rhetoric of the vision and values offers at best an incomplete picture of the introduction of human capital. At worst, it prompts a critical and skeptical reaction that is fed by the lack of detail inherent in such statements. The ambiguous context of values leads to diverse individual interpretations that become a barrier to turning vision into action. Although some employees interviewed often recognize KFI (EU)’s vision and values in connection with their work, underlining the
Another interesting point emerging from interview is the rhetoric drive as part of the corporate initiative - the company’s promotion of a “one company, one approach” or “Nordification” (a given name by the HR director of KFI (EU-Nordic)). Even though this does appear in the value statement of KFI (EU) under the title of “teamwork,” the extent to which middle managers understand it is however open to question. The HR director of Kelly Foods (Norway) explains:

“…We need to become ‘Nordification’ in order to respond to a demanding market more quickly. Therefore, we have to come up with new training programs, with a focus on developing our workforce’ human capital. We [HR people] understand what it means and adopt it in both principles and practices but, for line managers, it’s not easy for them to understand it.” (Interview)

Based on the above statement, the interview data show that this rhetoric causes problems in interpretation:

“…About the meaning of ‘one company’ put forth by the firm, what is it exactly? I’ve heard of it but not seen it in any documents. We serve different markets in different countries. I’m not sure how it is going to affect what I am doing now.” (Interview: Maintenance Manager of Kelly Foods (Sweden))

“Our firm is too large to be operated as a single company. Does it mean that all the firms under KFI (EU-Nordic) will be pulled together? If so, it would be a great challenge for every one of us.” (Interview: Demand Planning & Replenishment Manager of Kelly Foods (Norway))

Confusion, once again, over the content of the rhetoric is apparent. This shows that the rhetoric of the value statement is not uniformly interpreted in a positive way that is consistent with senior managers’ intent. Rather, it is subject to multiple interpretations of middle managers and employees because of the lack of explicit clarity about the meaning of the corporate values conveyed.

4.4.2 Human capital concepts

At the corporate level, the process of how management makes sense of human capital - “what it means to the firm” and “how it augments the firm’s values” is important. At the
interviews, one of the interesting comments is that the concept of human capital is seen as a reinvention of current HR practice within the company:

“…We have to take a very common sense and philosophical approach to entrenching the HR principles because every [trendy] idea of HRM, in my view, is always below the surface, depending upon [corporate] conditions, culture or even society itself that the company is going through…Most of the HR function [theories are] put in place but we tend to take it for granted and fail to realize their [full] potential. That is why the HR concepts are [subsequently] reinvented, despite HR research values being added, and re-badged with an impact-oriented terminology like human capital in response to the new need of the market…But we still hold on to the value of being an employer of choice.” (Interview: HR Director of KFI (EU))

“To me, human capital sounds directly related to the cost and benefit orientation when applied into the Kelly context…It makes sense for the firm to generate benefits out of what it invests in. Human resources and human capital are no exception…We sometimes imply this to our employees whenever we have a chance, ‘you are likely to earn more by developing your skills and abilities so that you can improve your performance; simply because the firm makes more money, you earn more as well.” (Interview: Financial Director of Kelly Foods (Norway))

The above comments bring out some interesting issues. One of them is whether or not human capital is being considered here as simply another fad or example of management fashion (Abrahamson, 1996). The other is that human capital is, by implication, perceived as an instrumental mechanism in securing greater rewards, particularly financial rewards. The economic aspect of human capital is highlighted in the interviews:

“The fundamental reason of developing human capital is to make the firm become more profitable in the first place. I believe that our firm adopts this concept because of economic purposes as priority.” (Interview: Section Manager of Kelly Foods (Norway))

“…I don’t see any big difference to happen if we decide to take the concept of human capital on board because we have been working pretty hard and evaluated very much against measurable objectives. It might be the case that human capital would make people understand more about why they have to be measured…because of the money!” (Interview: Demand Planning & Replenishment Manager of Kelly Foods (Sweden))

With the presence of these critical comments, it is apparent that the hard side of human resource management (HRM) (Storey, 1992); describing a resource-based approach of
HRM, appears to be a continuing feature of the company, and the re-badging under human capital does not affect this issue. Typical comments are:

“...Though, ultimately, human capital belongs to us [employees], we need to see what really lies behind this concept in detail. I would like to make sure that our human capital is not taken for granted and wasted by the firm.”  (Interview: Logistics & Operations Project Manager of Kelly Foods (Sweden))

“...The term ‘human capital’ seems to directly relate to profitability we can bring to the firm, if we work harder and harder. To me, it sounds rock hard because it is not what we want to develop ourselves to be an instrument or machine only to generate money to the firm.”  (Focus Group: IT Manager of Kelly Foods (Norway))

“...The bottom line is that human capital is laced with financial returns to the firm, rather than being considered as a way to make people stay with the firm.”  (Focus Group: Financial Analyst of Kelly Foods (Norway))

“...It’s probably nice to see the word ‘human capital’ in the meeting minutes, though we don’t exactly know how it would affect us in particular.”  (Interview: Computer Coordinator of Kelly Foods (Norway))

Notably, these comments raise two critical concerns. First, human capital is interpreted by some employees as a concept introduced merely as window-dressing. Here, they are resorting to rationalizations of the human capital process, drawing on their existing bank of knowledge and comparison to make judgments (Zbaracki, 1998).

Second, the implication of the potential of human capital is interpreted by a number of employees as mainly concerned with its measurability and calculative contribution to HR activity, thus reinforcing the hard model of HRM (Sisson, 1994):

“...It is sensible for the firm to have tried to measure its own human capital, if any, though I don’t see how it can be precisely done because we don’t have an accurate measure like that in sales and marketing. I’ve heard, but not confirmed, about KPIs for HR to be rolled out soon.”  (Interview: Corporate Affairs Manager of Kelly Foods (Norway))

“...The management team has realized how crucial key performance indicators [KPIs] for human capital are. Without KPIs, it’s hard to know how valuable human capital is. But I don’t know how it is to be done.”  (Interview: Planning Coordinator of Kelly Foods (Norway))
Despite an espousal of the value of employee commitment, as stated in the company’s document, the assertion of instruments, such as KPIs, provides an impression that there is a strong technical element to human capital which can be captured with outcome measures. It simply shows that the rhetoric is “soft” but the reality is “hard” (Legge, 1995). The KPIs would be introduced to enable the initiatives of human capital to be more accurately evaluated for efficiency and effectiveness. It is this assumption that KFI (EU) attempts to counteract, by using the language of its successful departments to ensure the buy-in of organizational members. Also, it provides reassurance that in this tightly run company, human capital development too will be assessed for its performance (Becker et al., 2001). The HR director of KFI (EU-Nordic) goes so far to claim in the focus group that the KPIs for human capital would even allow the firm to build competitive advantage, despite the absence of clear explanations of how it might be pursued, as denoted:

“…With the Key Performance Indicators [KPIs] for HR activities, we are able to identify key resources being lost or misused during the process. And, if necessary, we can re-focus the targets to be more responsive to the circumstances right in time…In this respect, we would be able to know which aspects of human capital is underutilized or needed to be fixed.” (Focus Group: HR Director of KFI (EU-Nordic))

This piece of rhetoric - the potential measurability of human capital - is a significant part of the launch of the human capital initiatives guaranteed as it is to fit the strong measurement orientation of the organization. Interestingly, however, the findings of the study show that the KPIs for human capital have failed to become embedded within the organization. Some HR directors admit that an ongoing debate over the validity in quantifying the subjective attributes of human capital (i.e., knowledge, skills and abilities) is an impediment to moving the KPI development process forward. Also, some managers feel that KPIs for human capital are either too difficult to initiate or that because senior management is not demanding it, thus no need to do it. Despite the presence of critical views on KPIs, it is believed that, once put in place, the KPIs for human capital can be used in conjunction with other existing KPIs across departments. The HR director of KFI (EU-Nordic) corroborates this at the focus group:

“There are no standard KPIs [for human capital] being or to be established for the KFI (EU-Nordic) context…Our primary concern is that, at the absence of the KPIs from KFI (EU), we cannot initiate [our own official]
KPIs in the Nordic level, despite our strong wish to achieve so. Currently, in each HR project, we set out the objectives or targets as ‘critical indicators’ to determine the success or failure of the project.” (Focus Group)

In sum, the data show that a lack of connection between the rhetorical aspect of human capital and the technical issue of its potential measurement has created a tension within an organization where individuals and functions are, in general, highly accountable and calculable.

Another interesting issue of the human capital concept is concerned with an emphasis on innovation expressed in the corporate value statement and the espoused reason for the introduction of human capital. It has been seen at the symbolic level that innovation is crucial to achieve, particularly through employees’ human capital. However, at the interviews, it is found that the notion of innovation seems to be overly focused in the corporate agenda, whereas the importance of human capital development is not well recognized as it should be:

“…Usually, the talk of the management team is all about how to make the firm become innovative but only touches a little bit about how the power of people can make it happen.” (Interview: Client Account Manager of Kelly Foods (Denmark))

“KFI (EU-Nordic) will be and must be a market-driven organization with innovative focuses...The concept of human capital organization serves as a supplementary component or an aligning element [that] propels the firm to become more market-driven.” (Interview: Category Director of Kelly Foods (Sweden))

From the organizational perspective, it can be accepted that a focus on innovation and competency reflects the firm’s strategic need for stronger differentiation against its competing firms. That is, KFI (EU-Nordic) is pressured by market competition to launch new products, revitalize brand portfolios and redress the power imbalance with retailers. Despite the absence of clarity about the meaning of innovation, a stated policy of creating an environment to support employees’ innovative thinking and behavior appears to be given an explicit priority in the corporate agenda during the time of research. This is in line with the argument put forward by KleySEN & Street (2001), stating that the ability of the firm to develop a climate in which employees’ innovative behavior can be manifested becomes even more critical than traditionally assumed in the literature. However,
although such a stated policy sounds viable to some managers in theory, its actual effect remains to be seen in practice. This is reflected in several of interviews:

“…We hear so many good things about innovation. But I’m sure there is a downside of which we just seem not to talk about it.” (Interview: Assistant Group Brand Manager of Kelly Foods (Sweden))

“…What I have experienced is that innovation is nothing more than changing things around…and, believe it or not, mostly it is all about how to get the original things back on and make it up and running again; simply because new ways of doing things don’t work.” (Interview: Conversion Manager of Kelly Foods (Norway))

“…The firm needs to work out more on the real sense of innovation if it is really meant to be a key driver of the firm.” (Interview: Marketing Manager of Kelly Foods (Sweden))

From the individual perspective, according to the above statements, the idea of innovation is apparently subject to different interpretations by organizational members. The interview data show that a key concern for managers revolves around the extent to which they are able to develop their individual innovation and competency within KFI (EU-Nordic). Surprisingly, one of their critical views is centered on the rigid bureaucratic system - a symptom of the legacy culture. Although, in practice, it seems not to support an environment for creativity and innovation, it underlines the importance of structural issues in the development of human capital initiatives, which the author shall turn to later. Some comments are:

“A disconnection between the top management teams in business units and the workers in the plants seems to be a stumbling block of being an ‘employer of choice’ through the lens of employees...The bureaucratic system hinders effectiveness of the organizational communication...and probably the way to become an employer of choice. For example, from my experience, it takes a long time for a decision to be made or a new idea to be approved.” (Interview: Conversion Manager of Kelly Foods (Norway))

“…We try to stay ahead of our competitors...[But] bureaucracy at KFI (EU-Nordic) may prevent its employees from developing knowledge and abilities [human capital], which is necessary to promote individual’s creativity...Because it is the key to innovation within the company.” (Interview: Assistant Research & Development Manager of Kelly Foods (Sweden))

“…I’ve heard both terms [innovation and human capital] around a bit during the meeting. They sound sophisticated but it would be better if I
have more details about them.” (Interview: Inventory Planner of Kelly Foods (Sweden))

“…The word ‘innovation’ appears on the department’s vision banner, but there is nothing about human or human capital. The firm probably assumes that it has already had capable people to make it happen. Senior managers should not easily assume in that way.” (Interview: Information Technology Site Coordinator of Kelly Foods (Denmark))

Thus far, the human capital rhetoric is bound up with broad statements of intent produced and delivered by senior managers, primarily focusing around the vision and values statements, a promise to be an “employer of choice” and innovative behaviors on the part of organizational members. It is found that the initial reaction of managers and employees is that of confusion – what does it all mean? – and to some extent a suspicion that the new forms of work would produce intensification of effort in an existing high energy environment.

4.4.3 Human capital strategy
Developing human capital in the organization depends in part on the formulation and delivery of an appropriate human capital strategy (Davenport, 1999b; Huselid et al., 1997). Through the data, this section is intended to explore how the human capital strategy is formulated (Section 4.4.3.1) and diffused from the corporate headquarters of KFI (EU) to the business unit of KFI (EU-Nordic) (Section 4.4.3.2).

4.4.3.1 Human capital strategy formulation
The use of HR practices to implement the human capital strategy is intended to promote the view within the organization that there would be continuity with existing HR practices. The best of the HR processes have remained intact, though subtly altered. From the internal documentation, the HR systems within KFI (EU) seem to be well embedded and receive positive ratings from the majority of the employees on their fairness and effectiveness. It is believed that such a reliance on the existing HR practices would help employees to accept a shift in human capital strategy within a reasonably short period of time. However, the potential risk of this is that human capital can be seen as nothing new, and merely a management fad that may disappear quickly.

From the company’s documents, there are four steps in building human capital strategy at KFI (EU), notably setting the human capital context, strategizing the organization in
2005, identifying the key priorities and planning the actions, as depicted in Figure 4.3. These steps seem to remain at a prescriptive level, despite having been pushed forward in the corporate HR agenda since the year 2002.

**Figure 4.3** Crucial steps of human capital strategy formulation

![Diagram of Human Capital Strategy Formulation]

Source: Adapted from KFI (EU) HR documents

**Step One – Setting the context**

By looking into the composition of the KFI (EU) corporate vision, one of the HR directors of KFI (EU-Nordic) explain at the interview that the strategic context of human capital is defined on the basis of “what are the key elements of our business and of our organizational structure?” (Interview: HR Director of Kelly Foods (Norway)) Section 4.4.1 exhibits a template of the generic corporate vision, whereas below presents a set of vision attributes refined to respond to the environment in which KFI (EU) operates.

**Consumers:**
- **Innovation** is a core competency to sustain top-line growth.
- A balance of **global** brands and **local** brands to fulfill customer needs is to be achieved.

**Customers:**
- **Trade** is consolidating and becoming global.
- The trend of international trade is not homogeneous by **country**.
Employees:
- **Engaging** the current workforce is a competitive advantage and boosts the speed of organizational change.
- The intake of new generations requires the extent of **new needs**.
- A war for **talent** prevails.

Alliances:
- **Partnerships** are becoming a strategic asset (i.e., outsourcing, co-manufacturing, co-procurement).

Communities:
- More attention is paid to **corporate values, environment and food safety**.

Investors:
- **Top-line growth and innovation** are essential to fulfilling obligations toward the parent company Bauer Group Inc. and the New York Stock Exchange market.

According to the above rhetoric, it is apparent that employee engagement, employee’s new needs and employee retention are considered crucial for the firm, due to the pressures of intensified competition, economic changes and tight labor markets. It becomes a key concern for the HR management team to get this message across to all employees within the matrix-structured firm. No further clarification of the challenge is however found at this stage. As the HR director of Kelly Foods (Sweden) notes:

“...Our focus on employees has shifted to employee engagement and other dimensions, as stated in details of the vision, because we face a more severe competition where new talents become more important...Plus, we need to retain them well.” (Interview)

**Step Two – Strategizing the organization in 2005**

At this stage, the HR management team attempts to enlist tentatively a number of key strategic factors, with limited details presented, to achieving the KFI (EU)’s vision. Some of them seem to be superficial and broad-ranging which require further refinement. However, the HR director of Kelly Foods (Denmark) claims at interview that the management concludes that the notion of innovation should be much focused and given high priority on the agenda. The HR director of Kelly Foods (Norway) corroborates this by stating:

“...The organization in 2005 seems to be a long-term strategy but it’s important for us to realize and shape the human capital strategy to support that all the way through.” (Focus Group)
This is basically supported by the rhetoric from the CEO of KF:

“Innovation is a *mindset* where everyone feels empowered to challenge the status quo and find new solutions that add value to everything we do.”

(Company Profile)

According to the above statement, an innovation focus therefore becomes the central competitive driver for the organization and accords a major place in the rhetoric of change. However, by viewing this statement critically, such rhetoric attempts to build an aspiration to employees by promoting the idea of empowerment, but there is a skeptical viewpoint standing against this aspiration at the focus group: “…it’s nice to be given power [empowered] to do my project, but when it comes to decision making; my boss make the final call.” (Focus Group: IT Support & Site Coordinator of Kelly Foods (Norway)) This is in consistent with the work of Argyris (1998), asserting that empowerment only appears to provide employees greater control, but in reality remains dominated by management. Moreover, during the interviews, this rhetoric receives a number of critical comments from some employees because they feel that the striking terms, such as innovation and change, seem to be overused in many respects:

“…It seems to be me that the word ‘innovation’ is an inspiring word and used a lot in almost every policy I have seen. I still have a question of what it might bring to us [employees] if we keep innovating all the time without a clear border set out.” (Interview: Inventory Planner of Kelly Foods (Sweden))

“…For me, change is pervasive to every part of Kelly. I have experienced some changes over the past two years. [That is] I have had three new bosses. And every time a new boss takes office, I have to adjust my working style in order to suit to each new boss.” (Interview: Planning Coordinator of Kelly Foods (Norway))

“Innovation is a great term that many firms uphold, but I have some doubt as to its possible drawbacks against the organization and the employees.” (Interview: Project Engineer of Kelly Foods (Denmark))

Innovation is therefore not viewed in a deterministic manner, as always leading to organizational benefits. A key message here is that there is considerable skepticism that the focus on innovation will produce gains in effectiveness or efficiency.
**Step Three – Identifying the key priorities**

Driven by the notion of “strategizing the organization in 2005,” the KFI (EU) HR management has come up with “key priorities” or “key elements” that help align the current human capital strategy with its future organization structure. The findings of the study reveal that the KFI (EU) HR management team has set forth five major elements, the so-called “Five Pillars,” as supporting strategies. These elements are intended to target the achievement of the corporate objective, vision and values (see Figure 4.4 and its descriptions).

![Figure 4.4 Human capital strategies – Five Pillars (2002)](source: KFI (EU) HR documents)

**Leadership** - We believe that a key aspect of business success is and will be the behavior of our leaders. For this reason, we will put in place a set of actions to profile, support and track leadership competencies and behaviors.

**Development** - We believe that investment in professional development will place us in a stronger position vis-à-vis our competition, to attract and retain the best resources and to enhance the commitment and engagement of our people.

**Organization** - We recognize that to be the undisputed global food leader we need to operate effectively within the complexity of a matrix organization structure and a global trade environment. This requires clarity of roles and responsibilities, the building of integrating mechanisms and the development of mutually supportive behaviors and skills.
**Diversity** - We believe that the essential business goal for KFI (EU), to build an increasingly innovative organization, will be achieved only through engaging a diverse workforce. Thus, we will be focusing on a wider representation of nationalities, cross-country experiences and a higher representation of females.

**Flexibility** - Market trend data and internal surveys suggest the need to move from a “one-size-fits-all” to a more flexible approach.

In the beginning of the year 2002, the Five Pillars strategy with action plans (to be explained in Step Four) are introduced. The HR management teams in each subsidiary regard it as a frame of reference in formulating local human capital strategies. The mid-year review is scheduled by KFI (EU) to revise the existing human capital strategies and track the action plans on the business unit level. It is found that some of the strategies tend to be impractical and inapplicable due to rapidly fluctuating markets, as criticized by the HR director of Kelly Foods (Norway):

> “More action-oriented strategies are in need of withstanding the dynamic change...The existing HR [human capital] strategies or Five Pillars sound fine in general but more details of these will help us to focus better...We have talked to HR executives at KFI (EU) about it already.” (Interview)

Also, the rhetoric on the Five Pillars strategy is greeted by the HR manager as merely an updated codification of the exiting practice:

> “With an advent of the new human capital strategy, it seems like new wine in an old bottle. It reflects nothing much away from what we have been doing.” (Interview: HR Manager of Kelly Foods (Norway)

For these reasons, refinement of the human capital strategy is sought. Much greater emphasis is given to the notion of how human performance makes business goals happen, rather than simply articulating a broad description of key features of the HR strategies.

In the first quarter of the year 2003, the BOLDER strategy (see Figure 4.5) is introduced to replace the Five Pillars strategy. At interview it is noted that the architecture of the Five Pillars strategy serves as a foundation of the BOLDER strategy, yet the description is somewhat more detailed and specific. For example, Flexibility and Diversity in the Five Pillars strategy are combined to focus on flexible working initiatives in driving greater diversity, as depicted in the “E” of the BOLDER strategy. The HR director of KFI (EU-Nordic) corroborates this by noting:
“...These refined human capital strategies provide in-depth views of HR management in response to swift changes of the industry. The focus of human capital remains [prominent]. But the dimensions of diversity, teamwork, knowledge [exchange] are more explicitly [specified] to support human capital development...More details given come with more work we need to deliver.” (Interview)

**Figure 4.5** Human capital strategies – BOLDER (2003)

![Diagram of human capital strategies]

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**Build leadership quality & readiness at all levels**
- Ensure that we have the very best talent for our key positions
- Create an environment that is recognized as open, innovative and stimulating
- Improve leadership practices within KFI (EU)
- Further the development of an international talent pool

Source: KFI (EU) HR documents
Optimize processes & practices
- Refine processes to support key HR development initiatives
- Seek to continuously improve processes and practices to maximize efficiency and effectiveness

Lead organizational change to enable growth
- Ensure that KFI (EU) has the organizational development capability to support major change programs
- Provide support to key systems and organizational change
- Clarify the roles and responsibilities to all management levels

Develop employee capabilities
- Build on existing management development programs and initiate new programs to maximize employee capability and to gain a competitive advantage

Ensure a winning work environment
- Encourage a high level of openness, trust and discussion on flexible working initiatives to drive greater diversity and improve reputation as an employer of choice
- Improve the representation of females and international experiences within senior management

Reinforce desired standards of performance
- Implement appraisal, recognition and reward mechanisms to support leadership and development goals

These descriptions of the BOLDER strategy have embodied KFI (EU)’s stated approach (rhetorical statements) to managing people and considered as a frame of reference for HR management teams in each business unit to outline an action plan for execution.

Step Four – Planning the actions
A common framework of the KFI (EU) human capital strategies presented in Step Three lays the foundation for each HR management team in business units to further develop localized HR strategies and action plans for implementation. At interview, it is found that, for example, the KFI (EU-Nordic) HR management team adapts the Five Pillars strategy, by taking close considerations on the environment it operates in and the organizational needs, which lends some support to the work of Schuler et al. (2002). It is therefore the role of the business units’ HR management team to interpret and align them with local business demands becomes a critical issue, as denoted at interview:
“It is much wiser to examine the inherent value of the corporate HR [human capital] strategies prior to developing [further] applications for local HR strategies. The emphasis may be [slightly] different from one subsidiary to another, depending upon several factors...But, ultimately, the local ones have to be in line with the corporate ones.” (Interview: HR Director of Kelly Foods (Denmark))

From the company’s document, it is found that the KFI (EU) HR management team seems to prescriptively identify key success indicators to be attained, stretch goals to be scrutinized and activities to be executed (see Appendix I). Critical comments on these strategies can be explored along, as the findings reveal, later in the chapter.

4.4.3.2 The “cascading” rhetoric of human capital strategy

The previous section mainly demonstrates the process of human capital strategy formulation (or an espousal of human capital strategy) and its critical concerns echoed by HR executives. In this section, the author takes a step forward to explore how the rhetoric of human capital strategy is interpreted and diffused from the corporate unit (KFI (EU)) to the business unit (KFI (EU-Nordic)). The findings of the study show that there are three dimensions involving in the process of human capital diffusion (from generic to localized contexts): interpretation of corporate vision and values in relation to human capital by senior executives, interpretation of human capital strategy at KFI (EU) and interpretation of human capital strategy at KFI (EU-Nordic) (see Figure 4.6).

![Figure 4.6 Diffusion of human capital strategy](image)

**Figure 4.6** Diffusion of human capital strategy

Note: HC means human capital
Source: The author

*First*, based on the interview with the HR director of KFI (EU), it is found that human capital strategies are derived from exhaustive conversations among senior HR executives who have the authority to make strategic decisions. This corroborates the work of Liedtka & Rosenblum (1996), asserting that the diffusion of strategy throughout organizations begins with the account of executives’ strategic thinking and the
Empowerment to act. In this sense, the “Employees” aspect of the corporate values (shown in the box below) is focused and interpreted on the basis of the corporate objectives, as stated in the KFI (EU) HR mission and strategy document:

<table>
<thead>
<tr>
<th>Employees:</th>
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<tbody>
<tr>
<td>• <strong>Engaging</strong> the current workforce is a competitive advantage and boosts the speed of organizational change.</td>
</tr>
<tr>
<td>• The intake of new generations requires the extent of <strong>new needs</strong>.</td>
</tr>
<tr>
<td>• A war for <strong>talent</strong> prevails.</td>
</tr>
</tbody>
</table>

Second, at interview, it is found that the HR executives of KFI (EU) interpret the “Employees” issues broadly and superficially in order to frame the concept of human capital strategy: “…by extracting the key words relating to HR in the corporate value, we can get a glimpse of how the human capital strategy should be developed.” (Interview: HR Director of KFI (EU)) At this point, the formulation of human capital strategy begins, as detailed in Section 4.4.3.1.

At interview, the HR director of KFI (EU) brings out two main factors that, he claims, can determine the success or failure of diffusion of KFI (EU) human capital strategy: consistent communication and the ability of policy makers in each business unit to translate KFI (EU) human capital strategy into the local context, as remarked:

> “…We believe that communication is a crucial means to convey our message from the boardroom at KFI (EU) to the boardroom at business units through many meetings and conference calls…We seriously take their feedback into account to improve our strategy...And so far senior managers at business units have actively engaged in adapting KFI (EU) HR [human capital] strategy into their context.” (Interview: HR Director of KFI (EU))

From the above statement, there is an emphasis on what has been pursued, but this rhetorical description needs to be further examined (and verified) through discussing with the recipients of the KFI (EU) human capital strategy, or senior HR managers of KFI (EU-Nordic).

Third, within the parameters of KFI (EU) human capital strategies, each HR management team within the business units adopts such strategies as a frame of reference and adapts them to the local context. This practice reflects the perspective of the “view from above,” as put forward by Martin & Beaumont (1999) and Ferner & Edwards (1995), where the
corporate headquarters of KFI (EU) seeks to coordinate and control the conceptualization of human capital of KFI (EU-Nordic). In other words, the KFI (EU-Nordic) HR management team formulates the localized human capital strategies to ensure that the human capital strategies of the KFI (EU-Nordic) are orchestrated with the KFI (EU) ones.

At the interviews, it is found that the HR management team of KFI (EU-Nordic) is empowered to determine its own agenda of HR activity, or “what is best for the organization.” (Interview: HR Director of Kelly Foods (Norway)) Also, a balanced view of what the HR director of KFI (EU) espouses about key success factors in diffusing HR strategies is highlighted. Some critical comments are observed:

“Metaphorically, it is like painting the picture within a given frame upon a broad instruction being told...It is necessary for us to diagnose our HR needs first before adopting KFI (EU) HR [human capital] strategies...Some of them can be applied to our solutions to local HR problems, some don’t.” (Interview: HR Director of Kelly Foods (Norway))

“...We often coordinate with HR people at KFI (EU) to exchange ideas and feedback through meetings and phone calls...However, we are not forced...to adopt the whole series of KFI (EU) HR [human capital] strategies. It’s up to us to find the fit and make use of it.” (Interview: HR Director of Kelly Foods (Sweden))

Based on these statements, the KFI (EU-Nordic) HR management team presents an overview of human capital strategy in the KFI (EU-Nordic) context, as depicted in the document:

“One operating company structure is in place. We will focus on our values and a common culture giving energy to make cost effective work processes, operating Nordic as one organization with a minimum bureaucracy. Also, we will engage our employees and utilize our KFI (EU) human capital strategy to make optimal Nordic solutions.”

The above statement shows a major rhetorical aspect of the process; the promise of common culture and cost effectiveness, the call for one organization with little bureaucracy and a climate of engagement. These details show the highly aspirational nature of the rhetoric in the organization, and perhaps the exaggerated expectations this initiative is setting up, expectations that would be very difficult to meet in the eyes of employees.
**Summary: Reactions to the corporate strategic rhetoric**

The corporate strategic rhetoric presents a view of KFI (EU) that highlights a new vision and values and a corporate strategy that focuses on innovation, continued brand management, as well as cost minimization. These issues are presented to employees as changes that would enhance the organization and produce significant benefits to individuals. The introduction of the human capital strategy - the Five Pillars and BOLDER - signals an intent to produce an innovative work environment and one in which employees could be more empowered, and increasingly engaged in long-term professional development. However, such an introduction is not uniformly well-received as evident in a number of critical views unveiled at the focus groups and interviews.

In the case of KFI (EU-Nordic), most of the rhetoric appears to be high-level and abstract. Employees struggle, in many cases, to make an interpretation of the rhetoric which is consistent with the intent of senior management. Confusion over, and ignorance of, the changes in human capital presented are apparent. The vision and values statements likewise cause problems in interpretation, with employees feeling unsure as to the priorities of these and their relative importance overall. Moreover, there is a strong sense that, though the rhetoric is perceived as impressively presented, employees believe that in difficult circumstances the organization would revert to the tough love regime of HR management (Price, 2003). Thus, human capital principles are likely to be abandoned. It also shows that employee skepticism to the human capital concept leads to a feeling of uncertainty and a wait-and-see attitude. That is, some employees have already been keen to see what significant changes would be made to the organization’s structure and HR management in order to put a technical reality to the rhetorical broad brush of the strategic rhetoric.

### 4.5 Corporate structural rhetoric

The second major rhetorical element is statements about changes to corporate structure so as to facilitate the introduction of human capital concepts into the organization. During discussions about the key issues of corporate structural perspectives and human capital, the main themes of this rhetorical element are highlighted in the interviews: the development of a *matrix structure* (Section 4.5.1), *restructuring* (Section 4.5.2) and a focus on re-orienting the *corporate culture* (Section 4.5.3) (see Table 4.4). These overarching themes are derived from interviewees’ responses based on the interview
question asked of all interviewees, “What are your key concerns of human capital development in relation to organizational aspects?” Despite the presence of positive views on the structural rhetoric, there are some critical comments that appear to shed light on a number of constraints in introducing and diffusing human capital concepts.

### Table 4.4 Overarching themes of corporate structural issues and human capital

<table>
<thead>
<tr>
<th>Interview responses</th>
<th>Frequency of responses</th>
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<tbody>
<tr>
<td>Matrix structure</td>
<td>30</td>
</tr>
<tr>
<td>Restructuring</td>
<td>29</td>
</tr>
<tr>
<td>Corporate culture reorientation</td>
<td>27</td>
</tr>
</tbody>
</table>

Source: Interviews of managers and direct reports (n = 31), multiple responses allowed.

4.5.1 **Matrix structure**

At the time of the research, KFI (EU-Nordic) has adopted a matrix structure in response to substantial pressure to achieve both high functional and product goals. Coffee, Confectionery and Snacks categories contain a number of functional departments necessary to complete their own business process, ranging from procuring raw materials to delivering the products to the market. Given the size of the firm and its geographical coverage, some departments are based in either business units or operating sites across different countries, as determined by the scope of functional responsibilities and resource locations. The literature suggests that this form of organization is typically designed to respond to fast-paced environments and widely adopted in a large, structurally complex company (Bartlett & Ghoshal, 1990; Larson & Gobeli, 1987). Figure 4.7 presents a simplified version of the KFI (EU-Nordic) organization structure where, in reality, the management system is far more complex than it shows on the blueprint.
At interview, it is found that the organization design of KFI (EU-Nordic) has been rearranged from a country-based structure to a matrix structure, partially due to the fact that KFI (EU-Nordic) has undergone various merger and acquisition activities in the local Nordic countries. In addition, with the arrival of intensified competition, KFI (EU-Nordic) needs to make a strategic move to be more flexible and responsive to increasing demands from its stakeholders (BenDaniel & Rosenbloom, 1998). It hence requires a structural change as well as organizational adaptation to a greater extent. The HR manager of Kelly Foods (Sweden) corroborates this by explaining:

“A few years ago KFI (EU-Nordic) operated in the country-based organization design, which provided a [clear] structure of the firm. I understand why we do have to shift from the hierarchical one to the Nordic-based organization design where the matrix structure is put in place...There is a tradeoff between the two designs. In order for KFI (EU-Nordic) to be [highly] competitive, the matrix structure tends to well embrace the [dynamic] environment and meet the increasing demands of the customers as well as suppliers.” (Interview)
The consequences of the structural change seem to be far-reaching. Nearly every department has gone through a process of reorganization to varying extents. The bottom line is that it has to be in line with the performance-driven policy, as cascaded from the corporate unit to the business unit. This lends some support to the study of Martin & Beaumont (1999), providing empirical evidence on the critical issues of the policy transfer from the headquarters to its subsidiary under change periods. At interview, some managers feel that the degree of autonomy in the local country is being taken away. They also feel that they are expected to comply with some policies of which they find inapplicable to their own job functions. One of the critical comments is noted:

“…The new form of organization pushes us very hard to the point where, it seems, every aspect of the policy needs to be measurable and that it may not be able to apply to some of the local markets or even our firm’s departments. In my department, it might be very difficult to assess how well we promote our firm to the public eyes accurately.” (Interview: Corporate Affairs Manager of Kelly Foods (Norway))

Although the matrix structure enables the firm to meet high demands from customers in an ever-changing environment, it requires some changes in employees’ thinking. That is, the employees of KFI (EU-Nordic) are required to be more customer-oriented, result-driven, multitasking-focused, proactive and adaptive. This shows, by implication, that some employees have developed a negative attitude toward the matrix structure. Typical critical comments are:

“…It becomes a must for us to work harder than ever before. I’ve been swamped by heaps of paperwork.” (Focus Group: Demand Planning & Replenishment Analyst of Kelly Foods (Sweden))

“…My working hours are like 7/11 because I have lots of projects to do here and there, not to mention my work at the department.” (Focus Group: Marketing Manager of Kelly Foods (Denmark))

From the analysis of the company report, it shows that managing the product-category-driven Nordic organization poses a great challenge to KFI (EU-Nordic) managers who have to balance a dual-authority structure. Some of them actually have two roles in management positions, such as the HR director of Kelly Foods (Sweden) holding a position of compensation & benefits director for the Nordic region (see Appendix J). Likewise, in middle management, many managers, who assume a double position, make critical comments in the report: “…we feel that we are trapped in to the matrix network
where we need to bear considerable responsibilities in both functional and project roles.” (Internal Document) As such, it seems to be inevitable for them to encounter a dual chain of command (Daft, 2003). For instance, from the company’s structure data, a Norwegian manager holds a position of a coordinator in supply chain for the Norway local operations (reporting to a senior supply chain manager of Kelly Foods (Norway)) and a demand planning & replenishment position in the Snacks category for the Nordic region (reporting to a supply chain manager of the Snacks category in Sweden). Furthermore, he is assigned on an ad hoc basis to particular engagements both within work functions and across departments. This shows that some problems regarding their ability to balance both functional and project responsibilities may arise.

Despite the presence of criticism against the matrix form, the majority of the managers and employees interviewed are aware of the benefits and stumbling blocks that the matrix structure can bring to the organization. The findings of the study reveal that there are four main recurring themes concerning the matrix design of KFI (EU-Nordic), notably roles and responsibilities, knowledge implications, bureaucracy and communication and coordination (see Table 4.5). These overarching themes are derived from interviewees’ responses based on the interview question asked of all interviewees, “What are your key concerns or problems of working in the matrix structure of KFI (EU-Nordic)?” Some follow-up questions are attempted to gain insights into details of the preliminary responses, for example, “In a matrix organization, how do you balance responsibilities of the functional work and project work?” and “To which extent does the matrix organization enable you to exchange knowledge with diverse workgroups?”

Table 4.5 Overarching themes of the KFI (EU-Nordic) matrix structure

<table>
<thead>
<tr>
<th>Interview responses</th>
<th>Frequency of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roles and responsibilities</td>
<td>30</td>
</tr>
<tr>
<td>Knowledge implications</td>
<td>28</td>
</tr>
<tr>
<td>Bureaucracy</td>
<td>27</td>
</tr>
<tr>
<td>Communication and coordination</td>
<td>23</td>
</tr>
</tbody>
</table>

Source: Interviews of managers and direct reports (n = 31), multiple responses allowed.

First, the roles and responsibilities of people in the matrix form are perceived as a dilemma rather than a challenging opportunity to capitalize on. In general, managers do understand the organizational need to opt for the matrix design in light of creating
competitive advantage (Ford & Randolph, 1992). Nevertheless, in practice, the concept of the matrix structure seems problematic. Managers often have a difficult time balancing their roles and responsibilities in both functional and project engagements. At interview, Project Engineer of Kelly Foods (Denmark) simply admits: “…there is nothing else we can do except for learning to live with it and doing our best to make the most out of it.”

The data also show that prioritizing the work agenda is very important to the “matrix people,” although in reality various variables, such as competing resources and time pressure, tend to suppress their abilities to do so. Some of the comments are observed:

“…Working in the matrix firm, I have several work responsibilities and two or more superiors to report to, depending upon [a number of] projects to which I am assigned. Sometimes my functional work agendas are in conflict with the project schedules… I wish I could do best in both roles, but it is [much] easier said than done. The prioritization of the work arrangement is [probably] a viable solution. Again, it is very tough to manage.” (Interview: Plant Controlling Manager of Kelly Foods (Norway))

“It seems impossible for me to simultaneously complete the demanding assignments with highest quality. And that makes me feel dissatisfied some time.” (Interview: Overhead Controlling Manager of Kelly Foods (Sweden))

From the above statements, dual report systems as well as dual authority relations (e.g., two-boss managers) become increasingly problematic. Even worse, it seems that managers do not have much opportunity to learn how to work in the KFI (EU-Nordic) matrix effectively. Learning by experiencing the sheer complexity of the matrix structure brings them frustration and lower work commitment which may have a negative impact on their job performance. This corroborates with the findings of Goold & Campbell (2003). Although there is a training course on “working in matrix” available, it is only organized upon employees’ request. It may lead to an assumption that some managers seem to take the importance of the matrix form for granted, despite the presence of their espoused concerns. It is also found that time pressure on day-to-day work and excessive complications of the matrix structure are of the main reasons that cause employees’ frustration about the matrix design:

“For managers and employees, it will be better off knowing how the matrix organization works so that they can reap the benefits from this organization structure. More training is needed to educate people to which extent they have been affected by the structure where they live
in...It is unwise to let them live in the matrix world full of uncertainty and complexity. A line of the authority has to be clarified [in the first place].” 
(Interview: Project Engineer of Kelly Foods (Denmark))

Table 4.6 Survey results: Managing the functional and project roles

<table>
<thead>
<tr>
<th>Code</th>
<th>Statements</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>M</td>
<td><em>I feel that I can manage my functional roles effectively while working on particular projects across departments.</em></td>
<td>0%</td>
<td>9%</td>
<td>22%</td>
<td>60%</td>
<td>9%</td>
<td>45</td>
</tr>
<tr>
<td>DR</td>
<td><em>My managers maintain their functional roles effectively while working on particular projects across departments.</em></td>
<td>3%</td>
<td>9%</td>
<td>44%</td>
<td>41%</td>
<td>3%</td>
<td>34</td>
</tr>
</tbody>
</table>

(Codes: M = Managers, DR = Direct Reports, n = Number of Respondents) 
(Scales: SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree)

In addition to the interview findings, this survey result sheds some light on the ability to identify the extent of the discrepancy between the two sample groups from different KFI (EU-Nordic) business units. In other words, to some extent it is intended to explain a comparison between managers’ and direct reports’ perceptions toward a balance of the functional and project roles. Table 4.6 illustrates that 69% of the KFI (EU-Nordic) managers, who mark “agree” and “strongly agree,” feel capable of managing both roles effectively, whereas 44% of the KFI (EU-Nordic) direct reports, with “agree” or “strongly agree” marked, perceive that their managers can balance both roles effectively. There is an apparent gap between these two groups’ perceptions. A major explanation of this gap may be pertinent to the various roles in which managers and direct reports play and resources (e.g., budgets and time) for which they compete. For instance, from the interviews, sometimes the functional managers have to put more emphasis on allocating the project tasks to colleagues or team members cross-functionally. The managers may have fewer interactions with the direct reports in the functional department who still require supervision of running day-to-day operations. Typical comments are:

“...Usually, projects come with tight deadlines since many people from different departments involve. And they all have different tight schedules to work on. That’s why we may sometimes have to spend more time with projects than functional work...It’s not very good, actually.” (Interview: Quality Assurance Manager of Kelly Foods (Norway))

“...It is very important for the functional managers to set a clear priority of work [projects and functional responsibilities] and let their direct reports know of their schedules of both project and functional work. Because we often face some problems during work but have no one to turn to ask for solutions.” (Interview: Inventory Planner of Kelly Foods (Sweden)
Second, the matrix structure is perceived to create an environment for knowledge management (e.g., knowledge sharing and diversity of knowledge (Dunn, 2001; Ford & Randolph, 1992; Bartlett & Ghoshal, 1990) within KFI (EU-Nordic)). But it is found that there is a gap between managers’ perception and employees’ on the notion of how knowledge sharing should be treated. This is evident in the survey result of knowledge sharing (see Table 4.7) which shows that 82% of the managers state they always share their best knowledge and information within and across the functional departments, whereas 73% of the direct reports perceive that their managers share work knowledge with them. These figures seem to represent a generally positive perception of employees toward knowledge sharing within the firm. But when the author probes beneath the surface, it is found that there is a tension between their perceptions about this issue which cannot be captured from the result figures.

Table 4.7 Survey results: Knowledge sharing

<table>
<thead>
<tr>
<th>Code</th>
<th>Statements</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>M</td>
<td>I always share my best knowledge and information about work between departments and work groups.</td>
<td>0%</td>
<td>2%</td>
<td>16%</td>
<td>67%</td>
<td>15%</td>
<td>45</td>
</tr>
<tr>
<td>DR</td>
<td>My managers always share their best knowledge and information about work between departments and work groups.</td>
<td>0%</td>
<td>3%</td>
<td>24%</td>
<td>64%</td>
<td>9%</td>
<td>33</td>
</tr>
</tbody>
</table>

(Codes: M = Managers, DR = Direct Reports, n = Number of Respondents)
(Scales: SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree)

From the interview data, some managers feel that they share their technical knowledge based on the primary purpose of “getting the work done,” with a less focus on building social networks to entail their future’s knowledge sharing activities. This may have a negative effect on knowledge sharing practices in the long run, due to a lack of social relationships established, as suggested by Tsai (2002). Some critical comments are:

“…we share lots of information through meetings with production line people so that all of us will have a mutual understanding of how the products should be manufactured and distributed to the market in a timely manner…That’s our jobs…If we don’t need to work this out well, why bother?” (Interview: Marketing Manager of Kelly Foods (Sweden))

“I’ve seen lots of managers who have simply given out much of their information and job-related knowledge to team members [comprising both middle-level and junior staff from different departments] mostly in the form of instructions to ensure that the project is supposed to be done in their ways. Things seem to be set quite formally, and they don’t feel as
They don’t mingle much down in the hallway or even informally talk about it after the meeting is over.” (Interview: Logistics & Operations Project Manager of Kelly Foods (Sweden))

However, some direct reports provide critical views that, despite their managers’ espoused focus on sharing information with subordinates and colleagues, they often overestimate their direct reports’ capacity to handle all new information (i.e., business tools or models) for work improvement. A large amount of workload and tight deadlines constrain their abilities to do so. Some comments are:

“...sometimes managers give us too much detailed information and expect us to know everything that they put forward, but we cannot because we have to complete some other work as well.” (Interview: Inventory Planner of Kelly Foods (Sweden))

“My managers like to call me for meetings. During the meetings, they show me lots of new tools and techniques, such as material control charting and forecasting, with which I’m pretty overwhelmed. They expect me to understand that and be able to do it almost right away. That’s rather hard for me.” (Interview: Planning Coordinator of Kelly Foods (Norway))

*Third*, a significant challenge rests on the rise of *bureaucracy* that accompanies the matrix design in KFI (EU-Nordic). After the firm’s vision, “one company, one approach” or “Nordification,” is put into practice, it seems that bureaucracy has become increasingly visible and tangible within the firm. More centralization is being carried out and so is the enactment of a rigid hierarchy (Casey, 2004). Besides pressure from competition, another underlying reason stems from the stated policy of KFI (EU-Nordic) which aims to keep all operating costs in control and to a minimum. From an organizational perspective, this may in the short term help KFI (EU-Nordic) stay competitive in the fast-moving industry. Yet some managers view that a growing bureaucracy in the KFI (EU-Nordic) matrix structure tends to do more harm than good in the long term. For example, one of the managers in the operating site comments:

“...The bureaucratic system hinders an effectiveness of the corporate growth. From my experience, it takes six months for the top management to review my project proposal of operations effectiveness plans. A response to the new ideas should have been done more quickly; otherwise, it may cost the firm more [money] and block the opportunity for the firm to grow faster.” (Interview: Maintenance Manager of Kelly Foods (Sweden))
Even worse, some employees’ perceptions of this corporate value turn out to be paradoxical to what the firm is intended to achieve, and that being considered “less meaningful”:

“Bureaucracy at KFI (EU-Nordic) symbolizes sluggishness of the firm’s practices to move [forward] in the rapidly changing industry, potentially leading to competitive ‘disadvantage.’ Notably, one of the corporate values – Speed or fast responsiveness to the market – is really contradictory to the characteristic of the [inherent] bureaucracy that we have in KFI (EU-Nordic).” (Interview: Marketing Director of Kelly Foods (Norway))

Moreover, bureaucracy tends to impede rapid responsiveness to change. In theory, the matrix organization seems to emphasize decentralization of decision making and relies on individuals to take responsibility for task production (Knight, 1976). In reality, it works the other way around at KFI (EU-Nordic). Despite an espousal of the value of decentralization in place, the decision-making process at KFI (EU-Nordic) is relatively awkward and centralized because the normative practice of consultative participation is crucial among the Nordic workforce. Prior to making a managerial decision, a consensus among team members has to be reached. Such a process consumes so much time that the firm is unable to capture the market demand in a very responsive manner:

“Ohoubtedly, the decision making process at KFI (EU-Nordic) is laced with the notion of bureaucracy. The [hierarchical] layers of the authority should be removed to alter the [basic] power structure in making a decision. Otherwise, it is less likely for the firm to make a [fast strategic] move over the competitors.” (Interview: Customer Marketing Manager of Kelly Foods (Sweden))

*Fourth*, the issue of communication and coordination becomes problematic under the matrix form of KFI (EU-Nordic) when, at the same time, there is an increase in bureaucratic practices within each product category structure, informally named a “silo.” At interview a senior manager states that the matrix structure is introduced not only to increase the effectiveness of the firm’s cross-functional communication and coordination but also to share resources: “…More networking between people from different departments through this [corporate] structure would allow something new to happen.” (Interview: HR Director of KFI (EU-Nordic)) This is consistent with the works of Daft (2003, 1992) and Stopford & Wells (1972). But, in reality, a co-existence of both hierarchical and matrix structures seems to bring in complications of reporting systems
and cross-functional coordination and control (Ford & Randolph, 1992; Mintzberg, 1980). That is, while working on a cross-functional project, some managers as team members are held back by the hierarchical structure of their own departments, leaving them less flexibility to coordinate other team members to get the work done. As a result, the tight managerial control from the management within the department tends to override the value of coordination between middle managers. To corroborate this view, at interview a middle manager expresses his feeling toward this problem and recommends that a communication and coordination forum be established to cope with drawbacks of the matrix structure:

“...I have three bosses to report to; two within the department at different management levels and one for the project...It’s tough enough for me to handle the departmental work because my bosses are always demanding for the results. Sometimes I therefore have to put the project work in my lowest priority, which it shouldn’t be. The situation leaves me no choice...I think...We need to be more focused on the process that aligns different functions across departments with [a sense of] optimal coordination...Lacking [effective] communication and consistent coordination between managers eventually decays the value of the global business model at KFI (EU-Nordic).” (Interview: Customer Service Manager of Kelly Foods (Denmark))

In summary, the findings of the study highlight a number of themes surrounding the issues of the matrix structure, notably roles and responsibilities, knowledge implications, bureaucracy and communication and coordination. It is found through both the questionnaires and the interviews that employee experience with the matrix structure is not uniformly positive, but rather critical of its drawbacks. There are substantial differences between the rhetoric of what KFI (EU-Nordic) is seeking to achieve in the matrix structure and the reality experienced by employees. As such, it may diminish, in one way or another, the importance of human capital development within the organization. That is, for instance, employee’s frustration to balance their roles and responsibilities in the matrix structure may divert their intention away from a focus on developing their individual human capital. It is therefore important for the KFI (EU-Nordic) senior managers to be aware of potential (negative) consequences that may occur from the downside of the matrix structure.
4.5.2 Restructuring

In this section, the issues of restructuring and downsizing in relation to changes are examined. The findings of the study reveal that these issues have an impact on a way in which human capital is developed within the organization. From the company’s document, it is found that KFI (EU-Nordic) has grown through mergers and acquisitions, leading to a number of changes in terms of firm’s structures. These activities require both managers and employees to develop new skills, abilities and attitudes necessary to cope with change (Kanter et al., 1997). However, the majority of the employees interviewed view critically that their senior managers tend to focus overly on business changes, rather than a shift in employees’ attitudes toward their human capital development. One line manager at interview gives a strong comment:

“...I think restructuring creates a feeling of uncertainty to employees, whether they be developed for skill improvement or kicked out of the firm. We need to do whatever it takes to secure our employment, not development of skills and the like.” (Conversion Manager of Kelly Foods (Norway))

In a wake of the restructuring exercise in the firm, various major change schemes, such as cutting costs, streamlining the production capacities and downsizing, become key features for concern. They basically reflect a focus of short-term gains at the expense of long-term value creation (Cascio, 2002a, 2002b). In other words, severe cost cutting measures may have a positive impact on the organization’s short-term financial statements, while potentially destroying the firm’s foundation to nurture corporate growth over the long run:

“We make a long-term plan but act in a short-term way. For example, the media budget is slashed for several times within a year so as to meet the short-term target. It is simply because the sales volumes of a product category do not achieve the firm’s objective this year. [But] I think it may not be the case for the long run if we keep doing something new...I do not believe that the brand can survive on its own...[lest] aggressive marketing campaigns are invested. It is a totally failing strategy. You know what my superior says? He says that this is how the listed firm in the stock market has to live up with – satisfying the shareholders, so to speak.” (Focus Group: Marketing Manager of Kelly Foods (Norway))

In particular, employment downsizing at KFI (EU-Nordic) is seen as a way to improve firm’s financial performance, rather than an opportunity to invest in the human capital development of the employees who stay. Since 1993 Kelly Foods (Norway) has reduced
a number of staff from 3,000 workers to 1,000 workers since the year 2001. This is based on the senior manager’s assumption that downsizing would increase financial strength of the firm: “...It is our last choice of cutting costs - reducing headcounts - so as to stay profitable.” (Interview: Financial Director of Kelly Foods (Norway)) However, from the annual reports, the financial results over the past few years have shown a fluctuating status of financial performance of KFI (EU-Nordic), instead of a steady rise of profits. It can be implied that employment downsizing may not always lead to improved financial health as primarily anticipated, this being corroborated by the findings of Cascio (2002a).

In addition, the majority of the managers interviewed perceive that staff reduction is a painful practice having an adverse impact on human capital. The findings show no surprise that the frustration and low morale of employees are likely to discourage any further development of their skills and competencies. As the section manager of Kelly Foods (Norway) states at interview:

“...I and my employees have no idea of what is going to happen with our jobs tomorrow. We can be laid off or assigned to assume new jobs of which we may not like. There are many things to be worried about, rather than thinking about which training programs we would attend or which skills we need to sharpen in order to stay with the firm.” (Interview)

According to the above interview quote, there is evidence that some existing employees feel that such a downsizing exercise can impose their job security, leading to a decline in their organizational commitment. Even worse, there is a view emerging out of the study that some prospective employees may no longer consider KFI (EU-Nordic) an employer of choice, as noted by the planning coordinator of Kelly Foods (Norway):

“A negative press on cutting headcounts does not only affect the firm’s image in attracting [talented] people from the labor market but also in retaining them. The internal employees, both white and blue collars, feel [much] frustrated about the job loss since they do not know when they will be on the ‘layoff’ list.” (Interview)

Interestingly, despite the presence of criticism against employment downsizing, the relationship with labor unions remains relatively healthy. Extensive and consistent interactions between the labor union and KFI (EU-Nordic) have served to alleviate some of the worst implications of the downsizing:

“...Although we are closing some plants in Denmark, we have not hit the raw nerve of the labor union...We understand the change process,
anticipated resistance to change in employment and all that...We make it as a written set of policies and plans used to communicate with employees effectively. And we always consider people as priority because we still want to be regarded as an employer of choice.” (Interview: HR Director of Kelly Foods (Denmark))

From the above statement, the interview data from some employees who has gone through downsizing periods show that the firm’s espousal of downsizing management (i.e., communication is the best strategy to minimize resistance to change) appears to be at odds with what employees experience. Some critical comments are observed:

“...Without having seen the policy document regarding staff reduction management, I think it must be very broad as usual and contains no clear substance, whatsoever, that would enable the employees to overcome changes.” (Interview: Planning Coordinator of Kelly Foods (Sweden))

“...I have heard of, but not seen, a full set of policies regarding downsizing. I don’t think it would help improve a situation, though all of us [employees] take a look at it...We might understand what the firm is trying to do a little bit better but do not fully believe until we actually see what the firm does to us. So far, there has been nothing much, except some rumors flying around about who and, possibly, when a particular person will be asked to leave the firm.” (Interview: Quality Assurance Manager of Kelly Foods (Norway))

In summary, based on the interview and survey findings, the conclusion can be drawn that changes at KFI (EU-Nordic) (i.e., restructuring and downsizing) have caused employee’s frustration and a negative shift in employee’s attitude toward human capital development. This happens despite the fact that KFI (EU-Nordic)’s espoused focus on communication is in place to help alleviate the problem. There is evidence that, in a period of restructuring, the importance of employees’ job security overrides that of employees’ human capital development. This highlights the extent to which the issues of restructuring and employment downsizing primarily have an adverse impact on human capital development in the organization.

4.5.3 Corporate culture
In this section, the author looks at how the rhetoric and reality around corporate culture is formed which may affect a way that middle managers and employees develop their human capital within the firm. From the company’s document, it is found that the KFI (EU-Nordic) business has grown substantially through a number of acquisitions and
synergies with top-performing local brands in each Nordic country. Such a strategic move inevitably leads to a significant shift in the organizational culture (Denison, 1990). And that KFI (EU-Nordic)’s espoused focus on corporate culture becomes a key concern for senior managers to promote a strong culture through diversity: “...creating a culture where our workforce, at all levels, are treated equally and can reflect their diversity.” (Internal Document) It is however insufficient to look simply at the stated policy of corporate culture when attempting to derive a rounded picture of the issue. At interview, the author learns that some employees of the acquired firms (i.e., Kelly Foods in all Nordic business units studied) feel against the American business practices adopted to replace the existing one. Consequently, there might be a negative shift in their attitudes toward the firm because their perception of the firm’s values has been changed. Some critical comments are noted:

“For me, Kelly Foods is an employer of choice. But for others, I perceive that it has not been so since the 1993 takeover. There is an issue of cultural change which poses harsh feeling and emotion to the existing employees. The Norwegian chocolate brand Frada represents the nationwide heritage of the chocolate products in Norway. The Frada employees might not feel positive toward the American business [philosophy] and organizational culture. [But] they had to live with it for economic reasons...The situation is getting better now. I foresee that the only way to resolve it is to replace the existing ones with a new generation of workers or ‘young blood.’ It takes time, of course.” (Interview: Corporate Affairs Manager of Kelly Foods (Norway))

“...By observing the firm’s policy about culture, I think it is doubtful in a way that Kelly is trying to promote diversity. Is a merger an acquisition an answer to that?...Bringing in the American management thoughts and taking out our long heritage of the management styles is a result.” (Interview: Assistant Research & Development Manager of Kelly Foods (Sweden))

Another issue of interest arising out of the study is that the US headquarters of KFI (EU-Nordic) has exerted a strategy of corporate cultural control transfer (Jaeger, 1983) through its American expatriate parent country nationals. It is intended to import the American management practices into KFI (EU-Nordic). At the interviews, it is found that, in the past few years, some American senior managers have been appointed from the US parent to assume various key management positions, such as Operations Director and Sales Director of KFI (EU-Nordic). As some managers interviewed recall their experience, they reveal that their American senior managers’ managerial style is goal-
driven and performance-oriented, rather than human-relations-oriented. Some comments are:

“…American bosses come to take strategic posts for around two to three years and leave. Then those posts are filled up by Nordic people. But I’ve seen a few American bosses come and go in other departments as well. Under American bosses’ management, I need to do whatever it takes to achieve the targets, which are very high but challenging. Incentives that we get from doing a good job basically are in the form of bonuses…We are mainly motivated by financial rewards and nothing else.” (Interview: Logistics & Operations Project Manager of Kelly Foods (Sweden))

“…My American manager brings in lots of new sales and marketing strategies used in the US headquarters and attempts to apply them in the Nordic market. With those strategies, the sales targets are set too high, I think, because we have much smaller markets and consumers are very different in their consumption culture.” (Interview: Marketing Manager of Kelly Foods (Sweden))

Although the literature suggests that such a cultural control strategy seems to be successfully implemented in many firms with cultural distance (Kopp, 1994), it may not be the case at KFI (EU-Nordic). Despite the corporate cultural control strategy being employed at KFI (EU-Nordic), it is found that there is still a problem of the conflicting values and norms of the Nordic employees in KFI (EU-Nordic) against the parent company’s values. That is, some employees have had a negative feeling against the US parent’s business culture in a sense that its value of regular performance assessment is overriding the employee-oriented values of KFI (EU-Nordic). This generally critical view is reflected in several of the focus groups:

“…The American business philosophy based on the idea of ‘being the best in the industry and outperforming others through measurable results’ seems not to be well-received by a number of workers who have been here before the acquisition takes place.” (Focus Group: Account Manager of Kelly Foods (Norway))

“…Our firm [before being acquired] is full of a sense of friendship with subordinates and colleagues, but not anymore. We need to adjust to if we want to stay on.” (Focus Group: Demand & Replenishment Analyst of Kelly Foods (Sweden))

“Some workers have to work against more of the measures and tight schedules as predominated by the American norms…To keep our jobs, they have to live with it.” (Focus Group: General Manager of Kelly Foods (Denmark))
However, the survey results show the conflicting evidence on this issue. The majority of the workforces (81% of managers surveyed and 92% of direct reports surveyed) share their many of their personal values with the organization’s values (see Table 4.8). It seems here that when answering the question concerning “many of the values,” the “many” do not include the US-parent-style approach, but this is offset by the significant agreement on other aspects of the culture. This lends some support to the findings of Liedtka (1989), concerning the value conflicts between individual employees and organizations.

<table>
<thead>
<tr>
<th>Code</th>
<th>Statements</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>M</td>
<td>I share many of the organization’s values.</td>
<td>0%</td>
<td>2%</td>
<td>11%</td>
<td>62%</td>
<td>25%</td>
<td>45</td>
</tr>
<tr>
<td>DR</td>
<td>I share many of the organization’s values.</td>
<td>0%</td>
<td>3%</td>
<td>5%</td>
<td>74%</td>
<td>18%</td>
<td>34</td>
</tr>
</tbody>
</table>

(Codes: M = Managers, DR = Direct Reports, n = Number of Respondents)
(Scales: SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree)

4.5.3.1 Equality of opportunity and diversity

Through the data regarding the corporate culture issue, a topic of equality of opportunity and diversity becomes a crucial concern for middle managers and employees. The stated employment policy of an equal treatment of the employees remains primarily at a rhetorical level. Senior managers of KFI (EU-Nordic) have, in practice, placed greater emphasis on the importance of white collar employees than that of blue collar employees. It may be based on an assumption that the white collar employees are in the position that can deliver higher strategic outputs to the firm. The marketing manager of Kelly Foods (Denmark) comments on the perceived unfairness of this situation at the focus group:

“...In the culture where results and outputs are of the highest concern, it is difficult to see how the firm can treat its people in an equal manner...There must be those who can make a much larger impact to the firm than others. Therefore, incentives, benefits and the like must be different, though there is a clear policy of treating all equally.” (Focus Group)

This raises an important issue of employees’ perception of gender and ethnic diversity, as espoused in human capital strategy, in relation to equality of opportunity. Although this is not the main focus of the research, it brings out an interesting aspect of how this issue
may affect employees’ perception of the firm’s culture. This lends some support to the studies of Truss (1999) and Dickens (1998) which stress the significance of drawing the line between the rhetoric and reality of equality of opportunity. It is found at the interviews that there is a strong concern about a number of women being under-represented in the higher levels of the firm, though there is no hard data to show percentages of men and women by job title presented in this research. Interestingly, some of the interviewees feel that an increase in woman representation in the management level will lead to a more human-oriented culture. It is the culture that the employees expect to have but the management seems not to recognize it as such. Some comments are:

“…Diversity of the workforce helps Kelly to achieve the forefront of the competitiveness since the [heterogeneous] views of people bring in more innovative ideas and approaches to add the value of the firm…But so far it represents the male-dominant culture where everything seems to be very aggressive and result-driven.” (Interview: Planning Coordinator of Kelly Foods (Norway))

“Our culture needs a more soft approach to run the business where the hard goals are not compromised…One way to achieve that is to have more women sitting on the management positions to provide a balanced, less aggressive view [if any] to the existing men-dominated management team.” (Interview: Project Engineer of Kelly Foods (Denmark))

“…As far as I know there are only a few women in the management positions. It shows that the firm has not fully promoted the state of employment equality as stated in the policy. It needs to be fixed. Women by nature represent the soft side of human beings. And that’s what we need in our culture.” (Interview: Overhead Controlling Manager of Kelly Foods (Sweden))

Arising out of the study is evidence that the corporate initiatives (e.g., training and development programs), with an emphasis on cross-cultural awareness, are utilized to decrease tensions in the corporate culture. The management believes that the programs, such as team leadership, can align the firm’s values with the employees’ values. This is in line with Brown (1998) who suggests that the values common to both the organization and the workforce tend to shape the firm’s desired culture and coordinate employees’ behaviors to strive toward a common goal. However, in reality, a number of subcultures, defined by each functional department and product category group, involve in creating diverse business practices within the context of the dominant culture. Such multiple subcultures become an additional problem to the issue of control and coordination (Willmott, 1997) across functional divisions under the matrix structure. For instance, key
account managers sometimes fail to comply with the marketing plan because of differing departmental goals. In the key account division, it has been a normative practice of the sales manager to aim for target sales by negotiating bulk purchases and promotional discounts. On the other hand, the purpose of the marketing division is to find new alternatives of product distribution channels, such as small retailers and convenience stores. Undoubtedly, the ultimate objective of both divisions is to generate higher profitability for the firm, but the norms of the business practices tend to be relatively disparate:

“The company’s vision seems to shape a universal Kelly’s culture but may not completely change an individual’s culture deep rooted in a particular regional or local community where the employees belong to. Different nationalities have different cultures…We feel that there are diverse subcultures inherent in the corporate culture. The Nordic culture and the corporate culture here are [essentially] interrelated and well-blended to drive positive performance. It is [however] a long journey for Kelly to create a universal organizational culture by which it harmonizes all strong subcultures. All Kelly needs to do is aligning the internal diversity with the corporate objectives. ” (Interview: Category Director of Kelly Foods (Sweden))

<table>
<thead>
<tr>
<th>Table 4.9 Distinctive attributes of the KFI (EU-Nordic) culture</th>
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<tr>
<td><strong>Interview responses</strong></td>
</tr>
<tr>
<td>Change</td>
</tr>
<tr>
<td>Trust</td>
</tr>
<tr>
<td>Respect</td>
</tr>
<tr>
<td>Open-mindedness</td>
</tr>
<tr>
<td>Flexibility</td>
</tr>
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</table>

Source: Interviews of managers and direct reports (n = 31), multiple responses allowed.

Despite the existence of the subcultures within KFI (EU-Nordic), it calls into question how managers and direct reports define the distinctive attributes of the KFI (EU-Nordic) culture overall. Table 4.9 illustrates the overarching themes of distinctive attributes of the KFI (EU-Nordic) culture. These are derived from interviewees’ responses based on the interview question asked of all interviewees, “What are the key characteristics of the KFI (EU-Nordic) culture?” From interviews, “change” clearly represents the most frequently cited characteristic of the KFI (EU-Nordic) culture. One of the managers managerially rationalizes this attribute by saying that, “resistance to the status quo allows innovation as well as continuous improvement to flourish, which lies in the heart of the corporate
values.” (Interview: Marketing Manager of Kelly Foods (Sweden)) This seems to resonate with a view from an employee: “...Change, by nature, characterizes the Kelly Foods business and defines the culture of what we are working in today.” (Interview: Inventory Planner of Kelly Foods (Sweden)) Trust, respect and open-mindedness are interconnected to shape KFI (EU-Nordic) culture. This view has reflected in several of the interviews:

“...As we work cross-functionally in various business units, it becomes common for us to deal with many people from many cultures, irrespective of where they are from...We need to trust each other first.” (Interview: Section Manager of Kelly Foods (Norway))

“...We have to open our minds to accept others’ opinions first, so trust can be built...Then, things can work more smoothly. And that’s what I’ve done and experienced in this company.” (Interview: Planning Coordinator of Kelly Foods (Norway))

“...The ability to speak the ‘unspeakable’ to our bosses or colleagues defines what we can do and what we are trying to achieve in this firm. People listen and don’t take it too personal.” (Interview: Customer Marketing Manager of Kelly Foods (Sweden))

Further to this point, an issue of cultural conflicts is discussed during the focus groups. It is found that such an issue is not a main problem because team members do well understand the nature of individual differences (i.e., backgrounds and job roles): “...it is rare to see cultural conflicts here since we all share the Nordic values and know how to deal with them.” (Focus Group: IT Manager of Kelly Foods (Norway)) Some of the managers interviewed even come to a conclusion that at KFI (EU-Nordic) there is no distinctive difference between Danish, Norwegian and Swedish cultures, which significantly affect the way they work:

“...The firm obviously promotes cross-cultural awareness but, generally, we are already familiar with it because we [the Nordic] have been like in the same family for centuries. So, cross cultural things are much embedded in ourselves.” (Interview: Group Brand Manager of Kelly Foods (Sweden))

“...We the Nordic have none or very small variations of cultural values. They are not our big problem here.” (Interview: Section Manager of Kelly Foods (Norway))
The rhetoric around corporate structure involves providing support to the strategic rhetoric by broadly defining the enabling structures of the human capital initiative, which are intended to free up knowledge and creativity, reduce boundaries within and between organizational units and promote a more collegiate style company culture. At this stage, responses of employees are characterized by ignorance at the complexity of the structural issues. Senior management stresses its commitment to the human capital program by the scale of the structural solutions and through the presentation of these at high profile events throughout the organization. Stories about matrix organizations are known to employees through their exposure to other organizations, particularly competitors. These stories are also spread by senior managers in order to show employees that conformity to such structures is part of sustaining competitiveness. Moreover, stories surrounding the cultural shifts are presented as senior managers delivering what the employees themselves want. From the data derived from the regular employee surveys, employees have remarked consistently that the tough love regime is too tough and unforgiving. And that retention and motivation are being seriously endangered. Senior managers present human capital and changes within structure and culture as evidence that they are in tune with employees’ wishes and that these methods would deliver precisely the desired cultural dimension.

Summary: Reactions to the corporate structural rhetoric
In summarizing the corporate structural rhetoric, participation in discussions on both organizational structure and culture help to develop the human capital rhetoric among employees. But, once again, the scope and ambition of the human capital program, and the high-level presentation and communication of the key ideas, ensure that a certain degree of ignorance remain among employees. It is found at the interviews that there is a lack of appreciation of what the changes really mean, how sophisticated they are, and what the ultimate outcome would be of human capital. Also, there is a lack of full-blooded commitment among employees, and a belief, too, that senior management are not really serious about the human capital program, given the demands on the organization from its US parent. Moreover, there is a sense that employees do not know how to balance priorities that seem to conflict in terms of the cultural changes in particular. A previous focus on managing brand is now to be supplemented by a focus on innovation, thus demanding of employees that they “incorporate a new sector of reality into their everyday views of reality.” (Zbaracki, 1998: 621) The sheer size and felt weight of the
matrix structure and the new cultural information is, according to a number of interviewees, daunting and promote some to retreat into what they know well, preventing change occurring.

4.6 HR management rhetoric

Emerging out of the data, there are three broad aspects of HR management rhetoric to be examined. First is the refocusing of the recruitment and selection practice (Section 4.6.1) to ensure the acquisition and development of the skills required to deliver the new human capital strategy.

Second, senior managers create training and development programs (Section 4.6.2) which are instrumental to developing human capital in employees at all levels (Crutchfield, 2000).

Third, the performance management (Section 4.6.3) and compensation and benefits system (Section 4.6.4) are changed to reflect the new strategic demands and the greater need to evaluate on a number of broad criteria, rather than single measures of profitability or sales volume.

4.6.1 Recruitment and selection

Recruitment and selection is a major stated aim of the firm, though this is compromised by the downsizing activity within the organization. Typical views are:

“...Reductions in personnel may help streamline our business but they come with some concerns like the way we recruit new people and retain existing employees...No matter what happens, hiring needs to be continued.” (Interview: HR Manager of Kelly Foods (Norway))

“Though we have to go for the downsizing strategy, we still need to at least recruit the very best people possible – even a few to replace those who leave, either voluntarily or involuntarily...Otherwise, we lose respect from external people [potential job candidates]. That will even put the firm in a worse situation.” (Interview: Marketing Manager of Kelly Foods (Sweden))

“...It’s been in the press that our firm begins to cut headcounts. It is not really good news to potential future employees because they may feel hesitated to apply for a job here.” (Interview: Corporate Affairs Manager of Kelly Foods (Norway))
From these critical comments, there are two main issues emerging to be explored in this section: how the recruitment and selection process is carried out in the wake of downsizing (Rynes, 2004), and how the ambiguity of a firm’s corporate identity has had an impact on its ability to attract highly qualified individuals (Zyglidopoulos, 2003). These issues are important because failing to attract the right people from the labor market may adversely affect human capital development within KFI (EU-Nordic) over time, thus supporting the work of Backhaus (2004).

First, though downsizing is being exercised, there is evidence that hiring new experienced staff continues at KFI (EU-Nordic). That is, the firm attempts to recruit only a few experienced professionals with high competency to replace a large number of laid-off employees. For example, in Sales Department at Kelly Foods (Sweden), of 85 sales forces, 31 sales people have been laid off in the past two years. Only 11 new sales people with high experience in the food industry are recruited into the firm. At interview, the HR director of Kelly Foods (Norway) raises an interesting issue of how recruitment practices at the time of downsizing seems to be contradictory to the stated corporate value of being an employer of choice: “…although the firm has cut lots of jobs, it is of our aim to be the number one firm that job candidates choose to work for.” (Interview)

When the recruitment and selection activities occur, it is found that the firm makes more extensive use of competency tests and interviews for job candidates, which suggests a traditional approach (Byars & Rue, 2003; Dessler, 2002): “…hiring the right people is a very important step to developing human capital in the firm.” (Focus Group: Supply Chain Director of Kelly Foods (Denmark)) It seems that the KFI (EU-Nordic) line managers become actively engaged in the recruitment and selection process. For example, hiring decisions, as claimed by the HR manager of Kelly Foods (Sweden), are made by the line managers in consultation with HR professionals in order to ensure that a successful candidate demonstrates both person-job and person-culture fits (Millmore, 2003). However, there are still a number of line managers who may have taken this recruitment and selection activity for granted due to their preoccupation of functional engagements. Some comments are:

“…We know that recruiting new people in our departments is important, but it is the responsibility of HR people to make sure that we have got the final candidates for final interviews…Then, it’s my role to do the final
hiring decision...We have lots and lots of work to do here.” (Interview: Logistics & Operations Project Manager of Kelly Foods (Sweden))

“We have no expertise to look for new recruits...HR department does. We’ve got to do what it takes to reach our department’s targets. That’s what we need to focus on the most.” (Interview: Maintenance Manager of Kelly Foods (Sweden))

“The turnover rate in my department is quite high because the jobs themselves do not require highly skilled employees...It’s time consuming for me to interview every single job candidate, though a few candidates have already been shortlisted by HR people. If I have to do the interview once to twice a month or even more often, I think it is too much.” (Interview: Section Manager of Kelly Foods (Norway))

Despite the recruitment being carried out in a wake of employment downsizing, the stated HR policy of the firm - “promotion from within” - is being practiced in parallel. Several career advancement plans are designed to encourage employees to move upward within their existing roles, rather than making lateral moves across functions. The reason behind this is a continuity of building a strong culture and developing further expertise in the field: “…managers here tend to feel better off working in the same function with higher managerial responsibilities; simply because they are familiar with the culture and the work.” (Interview: HR Manager of Kelly Foods (Sweden)) It can be implied that, as suggested in the work of Becker et al. (2001), such company-specific resources (i.e., culture and knowledge) becomes increasingly valuable over time and imperfectly imitable by other firms, thereby potentially constituting a source of competitiveness.

From this argument, the issue of the balance between promotion from within and the hiring of strong talent from outside the firm is voiced consistently:

“Under the downsizing situation, it seems that we face a problem here - positioning ourselves as a top-class recruiter while practicing the concept of promoting from within...There should be a balanced point of these.” (Interview: Marketing Manager of Kelly Foods (Sweden))

“...We recruit too few people a year and how we can be a top recruiter and an employer of choice for job seekers...It is written right there in our policy.” (Focus Group: Demand Planning & Replenishment Analyst of Kelly Foods (Sweden))

“Internal job promotion or relocation is seen more common during this time because it is cheaper than recruiting new guys in.” (Interview: Inventory Planner of Kelly Foods (Sweden))
According to the above comments, the findings of the study show that employees perceive a gap between what is said or stated (being a top recruiter as an employer of choice) and what is actually implemented (focusing on promotion from within). The management of KFI (EU-Nordic) has made an effort to lace the recruitment and selection practice with the corporate value; yet that has not been clearly reflected in reality. Criticism of this enactment would probably affect a way in which both existing and prospective employees perceive the corporate value, whether it be reliable and applicable in the long run.

Table 4.10  Survey results: Employee recruitment

<table>
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<tr>
<th>Code</th>
<th>Statements</th>
<th>SD</th>
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<th>N</th>
<th>A</th>
<th>SA</th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>M</td>
<td>I believe we recruit the right people to make KFI (EU-Nordic) successful.</td>
<td>0%</td>
<td>13%</td>
<td>27%</td>
<td>49%</td>
<td>11%</td>
<td>45</td>
</tr>
<tr>
<td>DR</td>
<td>I believe we recruit the right people to make KFI (EU-Nordic) successful.</td>
<td>0%</td>
<td>6%</td>
<td>29%</td>
<td>65%</td>
<td>0%</td>
<td>34</td>
</tr>
</tbody>
</table>

(Codes: M = Managers, DR = Direct Reports, n = Number of Respondents)
(Scales: SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree)

Evidence from the survey results, as illustrated in Table 4.10, presents a broader picture of how the managers and direct reports generally perceive the impact of the recruitment and selection processes toward the firm’s success. Both groups studied (60% of the managers and 65% of the direct reports) reveal that they have a positive view of this practice. Interestingly, a moderate number of the managers (27%) and the direct reports (29%) are unsure of the impact that the recruitment and selection processes contribute to the firm’s results. One possible explanation for this emerging from the interviews is that other factors, such as HR activities, product brands and work environments, also account for the firm’s successful outcomes. Diverse perspectives presented below corroborate such an explanation:

“…The success of the firm doesn’t solely rely on the recruitment and selection. Other components, such as training and reward systems, should be considered for that, too.” (Interview: Customer Service Manager of Kelly Foods (Denmark))

“…Recruited people may become counterproductive and a source of poor results if they are not satisfied with the work climate and environments.” (Interview: Plant Manager of Kelly Foods (Norway))
“Talented people of the firm build the brands, but the brands themselves that contribute to the success of the firm.” (Interview: Marketing Manager of Kelly Foods (Sweden))

Second, by referring to the above comment on brand identity, there is affirmation of the expressed concern about the ambiguity of a firm’s corporate identity vis-à-vis its product brand identity. The literature suggests that an equivocal relationship between organizational identity and product brands may have a substantive effect on attracting the best talent (Andriopoulos & Gotsi, 2001). At interview, an HR manager reveals that the ambiguity of the corporate identity diverts highly qualified candidates away from applying for jobs at KFI (EU-Nordic). And that would impede the process of human capital development in the firm:

“...I learn from a new graduate that he wants to work for Maribu [a brand of a Kelly Foods (Sweden)], not Kelly Foods, because it sounds cool for him to work for a firm whose name is widely recognized to people [consumers].” (Interview: HR Manager of Kelly Foods (Sweden))

There is evidence in the interviews that the power of the product brand seems to obscure the image of the corporate name Kelly Foods, whereby its name attempts to label identity. This is in line with the findings of Glynn & Abzug (2002). A reflection of this phenomenon is unofficially called “brand eclipse.” For instance, Frada, the chocolate brand and the pre-acquired firm’s name, symbolizes a century of traditional heritage in the Norwegian confectionery industry and is considered one of the nation’s most admired employers. After the takeover in 1993, Kelly Foods (Norway) replaced the original corporate name Frada, thereby leading to a gradual deterioration of its reputation as “being an employer of choice” in the job market. A corporate affairs manager of Kelly Foods (Norway) corroborates this by explaining:

“...Kelly Foods (Norway) has not positioned itself well in the job market, leading to attracting fewer talented people to work for the company. However, it may not always be the case. Norwegian workers tend to place more value on the corporate entity rather than on the value of ‘being the best in the industry.’ This does not appeal to Norwegian workers in the same way as it does [with American workers]...Therefore, the factor contributing to attract Norwegian people to work for Kelly is based on the relationship with the brands, not the firm per se. [The value of] the brand tends to attract Norwegian people to work for the company, rather than the value of the corporate identity. Basically, the value of employees lies on the brands, not in the Kelly’s identity.” (Interview)
On the contrary, the HR officer of Kelly Foods (Norway) seems to disagree with this view by arguing:

“To be honest, it is not well justified to nail [down] the fact that the key talented candidates are not attracted to the firm because of the corporate name Kelly Foods. We have received lots of applications from well-qualified candidates. Our brand reputation is on the rise and [deemed] not to fall from grace simply because of the corporate name change [after the merger]. It depends on how Kelly Foods intends to align the corporate name with its strong brand portfolios. Hence, that is [likely to] determine whether we are really an employer of choice.” (Interview)

In the work of Herman & Gioia (2000), the ideal of being an employer of choice has shifted from simply getting people to apply to choosing the best talent. Amid the growing demand for talented people, effective recruitment and selection practices become a considerable source of competitive advantage (Som, 2003; Bateman & Snell, 2001). It is viewed, in the present study, that the firm’s ability to attract highly qualified people underpins the primary factor of human capital development, but that there is some difficulty here. These people tend to have a high level of self-motivation, and it is this key quality that drives a sense of self-development and their willingness to develop professionally (Hallier & Butts, 1999), thus supporting the work of Argyris (1964). Once they are recruited into the firm, there should be a strong emphasis on the importance of training: “…a number of recruited people are matter, what is more crucial is how they can develop their learning through good support from the firm.” (Interview: HR Manager of Kelly Foods (Sweden)) In this regard, some corporate initiatives, such as training and development programs, prove to be another crucial factor of developing employees’ knowledge, skills and abilities (Barton & Delbridge, 2004; Holladay et al., 2003; Crutchfield, 2000).

4.6.2 Training and development

Developing human capital through the key corporate initiatives is a supporting strategy which drives the rhetoric about human capital into the technical reality (Crutchfield, 2000). In the following sections, the major development program (Section 4.6.2.1) and training programs (Section 4.6.2.2) are examined.
4.6.2.1 Development program

From the internal document, it is found that there is one distinctive development program, so-called *Leading & Managing for Continuous Improvement (LMCI)*. It is claimed to be “the best development program” of the firm in developing employees’ human capital (i.e., knowledge, skills and abilities). This program is primarily initiated by KFI (EU) and cascaded to KFI (EU-Nordic) for implementation. The intriguing part of the findings lies in a gap between the espoused rhetoric of the program descriptions and the enacted reality of employee experience that organizational members across levels have involved, both directly and indirectly.

*Leading & Managing Continuous Improvement (LMCI)* – From the internal document, this development program is designed and delivered by external experts to improve business results through people. Its stated objectives are threefold: (i) promoting the culture of continuous improvement; (ii) leveraging the teamwork value; and (iii) building a sense of leadership in employees at all levels. From the LMCI manuals of KFI (EU-Nordic), there is evidence that the descriptions of the program, including its detailed objectives, are prescriptive in tone and managerial in intent, claiming that the ultimate goal of LMCI is to develop human capital within the firm. And that leads the author to investigate more of this rhetoric, with a focus on both positive and negative views of the managers and employees toward the LMCI program.

At the focus groups and interviews, it is found that some managers feel very much impressed with the program structure (see Appendix K), rather than being critical of it. Typical comments are:

“...LMCI is the best. It helps me to realize my working style better and shows me how that can be improved.” (Interview: Quality Assurance Manager of Kelly Foods (Norway))

“The model has not [literally] ‘mcdonalized’ [or standardized] our thinking. The problem-solving process consumes less time than it previously does. [Moreover,] the LMCI program helps us to get to know ourselves better and that can be used to deal with others more effectively.” (Interview: Logistics & Operations Project Manager of Kelly Foods (Sweden))

“I successfully apply the change process learnt from LMCI to my staff. I understand why change brings frustration to them, how change loop works, what to expect of the employee’s reactions, and how to deal with
them [effectively]...We no longer think that we should remain unchanged while the company is moving to a new stand.” (Interview: Corporate Affairs Manager of Kelly Foods (Norway))

Despite the presence of positive views toward the program, some managers and employees are skeptical of the extent to which LMCI has contributed to the notions of continuous improvement, teamwork and leadership as set out in its objectives. Also, there is a strong emphasis on the need for organizational support to create an environment which allows employees to apply their learning to a real-life work situation. Some critical comments are observed:

“...What we learn in the LMCI course is not straight off for application in our workplace.” (Interview: Maintenance Manager of Kelly Foods (Sweden))

“...It is doubtful as to which [of] their on-the-job experience or development programs like LMCI make them to perform better if there is no concrete plan to fix the cultural problems in some departments.” (Focus Group: Training Manager of KFI (EU-Nordic))

“...Some parts of the program are too generic, rather than being firm-specific. I’ve got some feedback from participants that it’s better off for the program to be shaped on the basis of the current problems faced, such as downsizing.” (Interview: HR Officer of Kelly Foods (Sweden))

“...The LMCI program is good in a way. But it becomes no use when we get back to our office where traditional work styles are dominant.” (Interview: Plant Controlling Manager of Kelly Foods (Norway))

Thus far, both positive and critical views toward LMCI are shown to represent a gap between the rhetoric and reality of turning LMCI concepts into practice. However, the findings of the study show that LMCI’s effectiveness is dependent on the extent to which KFI (EU-Nordic) can create a supportive environment for employees, including managers, to exercise their learning gained from the LMCI program in the workplace.

4.6.2.2 Training programs

Drawing on rhetorical descriptions stated in the training policy documents, it is found that KFI (EU-Nordic) articulates its intention to promote training programs as an enabling factor in developing human capital. This is typical in the human capital literature (e.g., Mayo, 2001; Dess & Picken, 1999). Also, at the time of research, KFI (EU-Nordic) embraces the statement of equality in view of training opportunities:
“Employees at all levels are encouraged to participate in training programs where equal consideration will be given on the basis of his/her suitability and qualifications for jobs.”

Although the firm aspires to being an equal opportunity provider, and has a clear policy in place, as is the case in many companies, the reality experienced by employees falls short of their aspirations. At interview, there are a number of negative features of training at KFI (EU-Nordic) revealed. Constraints, such as limited budgets and training opportunities, become barriers to employees’ human capital development:

“…I have not been on any training programs for years. Three years ago, I was about to attend LMCI but it happened that my group leader would like to go as well…And he got it…I don’t know why…But there was certainly no slot for two people from the same department. Since then, I have not been invited to join LMCI and other training programs, though I [literally] addressed my interest to the manager. I would love to attend because I know that I can learn a lot more from it.” (Interview: Computer Coordinator of Kelly Foods (Norway))

“Ideally, the lower-management people should have the [equal] opportunity to take most of the training courses. But in reality the budget constraints and time availability are the key obstacles.” (Interview: Client Account Manager of Kelly Foods (Sweden))

The findings of the study show that, despite the presence of the stated policy, the issues of the equality of training opportunities continue to be problematic. The perceived training opportunities become a key concern for employees in terms of human capital development (Crutchfield, 2000). This corroborates the work of Lowry et al. (2002), showing that the importance of the relationship between training opportunities and employee perceptions of the firm is usually overlooked.

Apart from analyzing the HR policy in particular relation to training opportunities, the author shall turn to explore the training structure in order to gain a better understanding of how human capital is developed within KFI (EU-Nordic). From the training policy documents, it appears that all training programs are structured around the areas of individual competency development, notably leadership, business, function and system (see Figure 4.8). These are explained in light of the espoused rhetoric of the policy and the enacted reality of employee experience.
Leadership competency - KFI (EU-Nordic) places great emphasis on leadership, with a number of leadership training initiatives either in place or being developed. From the company’s document, Appendix L illustrates the training structure for leadership development in KFI (EU-Nordic) which provides an overview of how leadership competencies are built up within the firm. The stated aim of these initiatives is “to enhance new managers’ leadership skills needed to succeed at the beginning of their managerial role.” Each box represents a training module highlighting different sets of essential skills, knowledge and behavior in which future managers at KFI (EU-Nordic) should excel. Through a number of interviews with some managers who have attended these programs, some positive comments are reflected:

“The leadership training programs at KFI (EU-Nordic) seems to attract any would-be managers from within and outside the company.”  (Interview: Client Account Manager of Kelly Foods (Denmark))

“...I believe some of the leadership programs would more or less help to sharpen my skills necessary to become a successful manager…It depends on when and how I can practice it.”  (Interview: Conversion Manager of Kelly Foods (Norway))

However, by viewing the above quotes critically, one of the managers raises a vital issue of the extent to which leadership can be trained through these modules. His argument is perhaps based on an assumption that merely understanding leadership concepts may have little to do applying leadership skills in real-life work situations. This is in line with arguments put forward by Zaccaro & Horn (2003) and Pfeffer & Sutton (2000). Based on
this argument from the findings and the literature, a gap between leadership training and the actual practice undertaken can be identified. The section manager of Kelly Foods (Norway) corroborates this view by saying:

“...Putting leadership theory into practice is very challenging and not working in some cases. Leadership skills can be learnt but not excelled right after getting out of the training room...I want my direct reports to be able to lead themselves well...” (Interview)

Implicitly, the attitude is that people’s leadership can be trained and should be exercised properly so as to lead others to perform better (Leuchauer & Shulman, 1996). This attitude essentially reflects people’s intention to lessen the gap between the rhetoric of leadership concepts articulated in the training and the reality of translating them into actions in the workplace. There is however no evidence of the reality perspective to show how they actually put them into practice.

**Business competency** - In the company’s document, a central point of the business competency training rests on the notion of innovation whereby its training program is designed to foster a sense of innovativeness in the mindsets of the KFI (EU-Nordic) managers and employees. At the time of research, the Innovation to Market program, or I2M, is highlighted in the company’s document and interviews. There is evidence that employees’ innovative skills and knowledge are crucial for the firm to gain a positive business outcome (Rastogi, 2000) and to achieve a competitive advantage (Stewart, 1997). Typical comments are observed:

“...I2M is considered one of the most practical training with a focus on innovation – new ways of thinking to solve business problems. It allows our creativity to be unleashed so that we can practice tackling problems in better ways.” (Interview: Sales Manager of Kelly Foods (Sweden))

“...Innovation is extremely important for Kelly to outperform competitors. New products and services are part of its growth strategy. This course (I2M) helps me think through several marketing strategies in new ways. Partially because of that, I have successfully launched a new promotion program to our retailer with which our competitors cannot match. (Interview: Category Director of Kelly Foods (Sweden))

Despite the number of positive comments presented, critical views of this initiative seem to contrast with the program rhetoric or the stated purpose of the program. At the
interviews, some managers comment that KFI (EU-Nordic) does not truly promote innovation throughout the firm. This is in part because the I2M initiative is offered only to employees working in strategic areas, such as sales, marketing and supply chain management, but not to those working in other departments. Presumably, they might be considered as non-strategic employees who perhaps are in less need of innovation:

“…From what I heard about the I2M concept from my friend in Sales Department, I firmly believe that it will be useful for other employees in other departments as well.” (Focus Group: Demand Planning & Replenishment Analyst of Kelly Foods (Sweden))

“If Kelly wants to promote innovation within the firm, this is a great tool to be deployed across the board…It doesn’t make sense why senior managers sets a border [a policy] between who should and who should not attend this useful course.” (Interview: Project Engineer of Kelly Foods (Denmark))

**Functional competency** - As stated in the company’s document, functional or technical training courses are normally tailor-made and jointly organized by the HR and line managers. In other words, the functional training programs are structured around the needs of the business and designed to develop specific expertise in employees. For example, at the focus groups, it is found that the sales- and marketing-related training appears to be more structured and supported in terms of the budgets than other departments:

“…There is a series of marketing training we are required to attend in every two months.” (Focus Group: Marketing Manager of Kelly Foods (Norway))

“It might be the case that sales and marketing are money-generating centers of the firm. Based on this assumption, more training programs are initiated, I think.” (Focus Group: Marketing Manager of Kelly Foods (Norway))

From the organizational perspective, it seems to be understandable for the firm to focus on developing human capital in the strategic departments. It is claimed that failing to do so may prevent the firm from achieving competitiveness in the market (cf. Perks, 2000). Typical comments are:

“…Kelly is a market-driven organization where sales and marketing functions have to spearhead the firm’s strategy…More budgets and
investments need to be allocated to those functions.” (Focus Group: International Marketing Manager of Kelly Foods (Sweden))

“The more products we can sell, the more profit we can earn...It makes sense to invest in sales and marketing training programs in particular.” (Interview: Group Brand Manager of Kelly Foods (Sweden))

However, critical views obtained from the interviews revolve around, again, a gap between the rhetoric of sales and marketing training theory and the reality of practical implementation:

“...Some marketing courses are purely theory-based in which I find no use at all. Learning by doing through work experience sounds more practical in this field.” (Interview: Marketing Manager of Kelly Foods (Sweden))

“I took the sales negotiation course which provides me a broad scope of how I should negotiate with clients [retailers]. Bullet points of the principles help me no more than a checklist of what should be done. In reality, I think I use my own interpersonal skills to close the deals...by not following any of those checklist points.” (Interview: Sales Manager of Kelly Foods (Sweden))

System competency - System competency training has been much emphasized since the arrival of the STAR project (see Note 4.1). The fundamental objective of the STAR training is to introduce the practical applications of the integrated business process to the key system users from all relevant departments. Although the rhetoric of organizational benefits from the STAR sounds promising, it remains to be seen what concrete results, in reality, are to be delivered. In the first stage of its implementation, although on-site workshops are regularly organized to provide support solutions, some of the managers interviewed reveal that, in practice, the actual execution of the STAR system is far more complex than the workshop exercises can cover. They need some more time to build expertise in aligning the system with day-to-day operations. Some critical comments are observed:

“...This kind of training is useful but, in practice, the problem we face is very difficult and requires a quick fix solution.” (Interview: Information Systems Manager - HR Systems of Kelly Foods (Sweden))

“The STAR Project brings about immense challenges to our jobs, apart from functional work. It helps improve my technical and interpersonal skills dramatically and allows me to share knowledge with other experts from [different] European offices, even though I feel extremely stressed
out by such a demanding project with tight schedules. Another point is that, a few months after the Project being gone live [in the Nordic area,] it leaves lots of problems to [many] relevant functions. It is [somehow] excruciating to go over the errors that incur and recur.” (Interview: Plant Controlling Manager of Kelly Foods (Norway))

At the interviews, it is found that some managers and employees, following their participation in training and development programs, express greater knowledge of human capital, gain more experience of human capital and greater exposure to its potential benefits. It is unsurprising to learn that they have made an attempt to apply the human capital principles back in the workplace, and so their normal routines are imbued with new knowledge of human capital. Typical comments are:

“…I feel that training has done a lot in helping me to learn with new business tools necessary for my work.” (Interview: Logistics & Operations Project Manager of Kelly Foods (Sweden))

“I think training pays off whenever I successfully use what I’ve learnt from training in my projects. Even better, when I can share that with my colleagues or subordinates.” (Interview: Project Engineer of Kelly Foods (Denmark))

However, there is variation in their experience of applying some human capital concepts back in the workplace. That prompts the issue of whether they believe that human capital is anything new in comparison to what they have already done. In many situations, the problem is not their shortcomings in knowledge or skills, but rather the existing stumbling blocks in the workplace, such as a de-motivating work culture, change-resisting colleagues and risk-aversive managers:

“…Training is important but ‘doing the job’ is much more important. It provides us an opportunity to learn more of other perspectives from different people and temporarily exposed to various exercises. [However,] in reality, it may mean nothing if the work environments, [including colleagues and managers,] are not supportive of the changes that we try to introduce. Normally, technical knowledge is much easier to be applied because it directly relates to tasks…A change in attitude may take a long time to see the impact since it involves many people with different backgrounds as well as personalities.” (Interview: Conversion Manager of Kelly Foods (Norway))

The findings of the study show that all training programs reported here are designed to improve performance of human resources, and that increased organizational performance
can be expected. However, it is evident from the data that there is a gap between the rhetoric of training policies and the reality experienced by employees, which becomes a critical impediment for human capital development (Crutchfield, 2000).

Table 4.11  Survey results: Training and performance

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<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>M</td>
<td>I believe that my improved performance is an indicator of how effective the training I receive is.</td>
<td>0%</td>
<td>20%</td>
<td>41%</td>
<td>36%</td>
<td>3%</td>
<td>45</td>
</tr>
<tr>
<td>DR</td>
<td>I believe that my managers’ improved performance is an indicator of how effective the training they receive is.</td>
<td>0%</td>
<td>3%</td>
<td>56%</td>
<td>41%</td>
<td>0%</td>
<td>34</td>
</tr>
</tbody>
</table>

(Codes: M = Managers, DR = Direct Reports, n = Number of Respondents)  
(Scales: SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree)

Table 4.11 illustrates the data from the questionnaire survey on training and perceived improved performance, showing that the perceived relationship between effective training and improved performance is somewhat inconclusive. Nearly half of the respondents (41% of the managers studied) may or may not believe that their improved performance is an indicator of how effective the training they receive is, whereas 56% of the direct reports studied reach no conclusion on this issue. The follow-up interviews unveil two main reasons behind these results.

First, on-the-job training seems to play a more significant role in bringing out positive performance than that formal training can provide. This lends some support to the work of Wholey (1990). It is claimed that on-the-job training allows employees to obtain hands-on, practical experience which subsequently contributes to an increased level of performance:

“…In general, the training programs are intended to develop managers to become better managers equipped with a set of professional skills needed to be successful. In reality, more than 80% of our efforts are put into on-the-job activities…We have no time to recall [all of] what we have learnt from training. Training does not simply equate to learning, anyway. [Moreover,] some of them are not applicable to the situations we face. We pick the important messages of each training and bring them home [the workplace].”  (Interview: Demand Planning & Replenishment Manager of Kelly Foods (Sweden))

Second, from the direct reports’ observations, it is uncertain where precisely to pinpoint the direct correlation between training and perceived improved performance (cf. Broad &
Newstrom, 1992). It is in part due to the fact that some of the direct reports cannot distinguish the pre- and post-performance changes of the managers after attending the training programs:

“I do not clearly see how my manager’s improved performance purely comes from training. I cannot notice [any dramatic] change in my manager’s behaviors after he attends the training courses…It is perhaps because he has already been very competent since I have worked with.” (Interview: Group Brand Manager of Kelly Foods (Sweden))

Thus far, the findings of the study have shown that, although training and development programs serve as a supporting strategy driving the rhetoric about human capital into the technical reality, it is important to pay closer attention to a number of critical issues under which a gap between the training policy rhetoric and practical reality may occur.

### 4.6.3 Performance management

The issue of performance management is vital in understanding the process of human capital development. It is not only concerned with performance evaluation of employees, as traditionally suggested in the literature (Freemantle, 1994), but also it serves as a tool for staff development (Bacal, 1999). In the case of KFI (EU-Nordic), the program of Managing and Appraising Performance (MAP) is designed to support KFI (EU-Nordic) managers and employees in setting their own goals, assessing performance results and discussing professional development (see Appendix M). The MAP process has been implemented for many years with a struggle of multiple changes in contents and formats. Recently, there has been a shift in its focus toward the concept of management by objectives (MBO). The salient feature of the MAP process lies in its ability to link individual managers’ own annual goals with the company’s objectives. Outputs of the MAP process include job profiles, ranking criteria to rank individual’s performance against the previous year’s and career development plans. In general, from the MAP manual, the stated objectives of the MAP process are as follows:

- linking individual goals to corporate goals,
- establishing clear individual expectations with regard to performance,
- discussing work performance and development in consultations between managers and employees,
• gathering information for compensation processes as well as for internal recruitment, and
• assessing organizational strengths and needs relevant to human resources.

At the heart of the MAP process is the notion that employees at all levels become increasingly responsible for writing their own personal development plan, based on one-to-one discussions with their managers, and determining how to reach the goals of individuals, departments and organization. Also, managers are expected to be accountable for the development of their employees and reviewing each individual’s development plan twice a year, as normally scheduled at every six months. This reflects a brief performance management procedure at KFI (EU-Nordic), which is treated as a rhetorical description, articulated in the MAP manual. In reality, the findings of the study show that there are two critical concerns emerging from the MAP process: personal justification of the appraisers toward the MAP review and quantification of individual’s qualitative attributes.

First, the appraiser’s personal justification toward the importance of the MAP process may have an impact on employee attitudes toward human capital development. There is clear evidence that the move toward individuals holding their own personal training plans represent a major shift in attitude. However, the issue of the appraiser’s subjectivity toward the MAP process becomes another key concern for their change in attitude toward the appraisal system. For example, at the focus group, it is found that some managers with a strong mindset of concrete-results-driven performance tend to focus mainly on the measurable outcomes against employee’s objectives, instead of paying close attention to the significance of the employee development agenda:

“...I spend most of the time on the discussion about the organizational goals [e.g., sales volumes and project results] while little attention is given to the guidance of improvement or skill development as a good manager.” (Focus Group: International Marketing Manager of Kelly Foods (Sweden))

“...It is easy for me to sit down and talk about the results that we can see and measure...The part of employee development is important but we can leave it later.” (Focus Group: Plant Manager of Kelly Foods (Denmark))
From these statements, it is also found at the interviews that some employees feel disengaged with their skill/career development proposal, particularly at the time when their managers ignore its importance. In other words, they become reluctant to be involved in discussing their training needs and career advancement, which seems to have an adverse impact on their human capital development. The findings of the study corroborate the work of Mani (2002), suggesting that negative employee opinions of an appraisal system may have a broad impact on factors such as attitude toward work, motivation and organizational commitment. Some comments are noted:

“...Many times I feel not very good when my managers simply mention a bit about my development plans in the MAP review, rather than talking through in detail.” (Interview: Inventory Planner of Kelly Foods (Sweden))

“I think the MAP process is great but some of the managers don’t see its real benefits to the employees, but to just the measurable outcomes.” (Interview: Planning Coordinator of Kelly Foods (Norway))

Second is another major concern regarding qualitative performance measurement vis-à-vis quantitative measurement. Although a large number of the measurement models found in the literature (e.g., Fitz-enz & Davison, 2002; Fitz-enz, 2000) attempt to quantify some seemingly non-quantifiable attributes, such as leadership, into quantitative values, none of them constitutes the best practices in performance measurement (Milliman et al., 2002). In this study, it is found that KFI (EU-Nordic) also faces a challenge in attempting to evaluate employee’s performance based on some non-quantifiable attributes, such as leadership. But it seems not to be successful in practice because there is no clarity of how they should be precisely measured. Moreover, the issue of the work nature, determined by different job functions, plays a vital role in explaining the gap between the stated policy of performance measurement and the reality of technical practices. That is, in the MAP manual, only broad instructions of performance rating are provided, rather than detailing some specific qualities of each job function against which they are to be measured. Without explicit instructions given, it leaves to managers in each department to make diverse interpretations about what should be measured. At the interviews, some employees reflect this critical view, by providing an example that a number of operations tasks can be measured in terms of production volumes and defects, whereas job functions of HR, are too subjective to be accurately appraised (Yih-Tong Sun & Scott, 2003). Some managers state the following:
“...[It is suggested that] the measurement method and tool be varied by each department, as determined by the nature of the jobs whether it be quantifiable or not. The subjective measurement seems to be close to impossible to value in dollar terms...[For instance,] in the Corporate Affairs department, the objective is to improve the [political] environment with the government to ease off the food legislation. The objective itself seems to be perceptually traceable rather than objectively measured.” (Interview: Corporate Affairs Manager of Kelly Foods (Norway))

“...Some development issues cannot be easily quantified but perceptually measured from the behavioral changes, such as solving the problems quicker than before, responding to internal conflicts with compromises, and so on. It is very subjective.” (Interview: Group Brand Manager of Kelly Foods (Sweden))

These above remarks, by implication, emphasize the need for variation and respect for differences between employees and groups in the evaluation process.

In summary, it is evident from the data that the stated policy of performance appraisal is not necessarily well implemented due to appraiser’s subjective justification toward the importance of the MAP process and a lack of information about how qualitative job-related attributes should be accurately measured.

4.6.4 Compensation and benefits system

The compensation and benefits (C&B) system of KFI (EU-Nordic) is structured to support the performance-based evaluation. Critical perceptions of employees toward the C&B system may have an adverse impact on their intention to develop human capital. From the C&B document, it is explicitly stated that the C&B program, including rewards and recognition, are bound up with employees’ contribution to results, as is the case in many performance-driven organizations (Donaldson, 1999). The MAP process not only assesses how employees perform against their individual goals but also determines performance-related pay by means of an overall performance rating (see Appendix M).

The fundamental philosophy of C&B in KFI (EU-Nordic) is “being a strong player in a compensation side with a moderate level or the market midpoint for the extent of fringe benefits.” (C&B Document) KFI (EU-Nordic) aims to pay in the top quartile of its industry, but the fringe benefits structure is geared toward promoting employee commitment, rather than paying substantial bonuses:
“…Our salaries are pretty competitive, though the fringe benefits and bonuses are just around the average level…But we are satisfied with those because they are not the very main reasons why we work for Kelly…Something else counts.” (Interview: Section Manager of Kelly Foods (Norway))

At the interview, it is found that the C&B policy is formulated on the basis of both external and internal factors, such as salary survey data, organizational goals and affordability. It is aimed at enabling the firm to stay competitive in the job market, with an emphasis on reasonably attractive reward packages. To pursue this policy, the HR/MOD management team of KFI (EU-Nordic) designs and develops its C&B system in collaboration with consultants from the Hay Group, a leading global HR consulting firm. With the Hay approach, the salary grade (SG) system is created to determine the appropriate level of the reward packages, including base pay, incentive pay and benefit scheme, for an individual’s job. The details of the pay figures in the SG scale are not disclosed in this study due to confidentiality considerations. The C&B director of KFI (EU-Nordic) corroborates this by explaining:

“…We participate in the salary survey to benchmark our C&B plans with other firms’ and try to get a feeling of how our competitors are doing. [Also,] we use our personal connections to find out the competitors’ pay movements as closely as possible. Our C&B may not be the best in the industry because being the best does not always mean being the forefront of everything. We would rather keep the pace of being competitive in this way.” (Interview)

**Figure 4.9 KFI (EU-Nordic) salary grade structure**

Source: The author’s notes from an interview with the C&B Analyst of KFI (EU-Nordic)
Figure 4.9 illustrates the SG structure employed in KFI (EU-Nordic). All positions in both middle and senior management levels (from SG 11 to SG 17, as termed “banded”) are assigned a grade and a salary range. It is evident from the interview data that the salary range has not been available to employees at the lower-level management (below SG 11) due to a sheer number of job analyses to be incorporated into the system, though it is being under review. This appears to be at odds with KFI (EU-Nordic)’s espousal of achieving “an equal distribution of the pay plans.” The C&B analyst of KFI (EU-Nordic) explains:

“…We are quite new to this salary grade scheme. It’s complex and takes a lot of time to get it straight...Now we are still working on it to make sure that the system goes right.” (Interview)

Moreover, despite the salary grade structure being in place, there are, in practice, some critical views against the Hay system regarding its complex analysis of the so-called competency-based characteristics, such as work experience, education and decision-making power. These attributes are somehow subjective and non-quantifiable in a precise manner. Thus, it raises an issue of the gap between the rhetoric of the C&B system and its enactment through employee experiences. The C&B director and the C&B analyst of KFI (EU-Nordic) provide critical comments:

“...There is room for the [Hay] system to be improved. Sometimes the set standard for a particular job is too stiff. For example, the educational standard is varied by each Nordic country, [but] the system does not recognize that...Also, a scale of the weighted scores is controversial. Basically, the academic backgrounds are weighted with higher scores than other factors which may not reflect the true value of the job. [Therefore,] those without high academic records may not [be able to] move [up] to the management level at the reasonable pace.” (Interview: C&B Director of KFI (EU-Nordic))

“...A lot of the debating issues are brought to the Hay consultants’ attention. But, unfortunately, there is nothing the consultants can do about it because it is a standardized system where they believe that it is reasonably objective-oriented. [In practice,] we often face the situation where we think that the weighted scale on experiences in a [particular] job should be higher. This kind of impression cannot be fit to the Hay system.” (Interview: C&B Analyst of KFI (EU-Nordic))

In terms of bonuses and benefits, the findings show that variations in those schemes hinge upon the SG levels. Bonuses are only awarded to employees between SG 11 and SG 17.
The firm operates a discretionary bonus scheme (Baiman & Rajan, 1995), where the level of payment is reflective of the firm’s overall performance as well as an individual’s performance measured against his personal objectives. They also receive higher valued benefits like stock options on top of the core benefits scheme offered to every employee. Some managers interviewed feel that KFI (EU-Nordic) places great emphasis on retaining the managerial employees more than the non-managerial staff:

“The competitive reward package seems to attract and retain only the senior and middle management people, rather than the lower-management people. [Probably] it is because they can make more strategic decisions which yield higher results to the firm.” (Interview: Maintenance Manager of Kelly Foods (Sweden))

“…Somehow the management might make an assumption that the frontline workers cannot contribute to the firm in terms of strategy, but it is not correct...They are also part of the firm and deserve an equal treat.” (Interview: Conversion Manager of Kelly Foods (Norway))

In connection with the above statements, the interview data also suggest that the firm has not adequately promoted a fair and equitable reward distribution across the firm. Thus, it may have an adverse impact on employees’ morale and motivation to develop higher levels of skills and abilities. The corporate affairs manager of Kelly Foods (Norway) critically views this issue by stating:

“…The competitive reward package seems to be offered to only the senior and middle management, not the lower-management level. Probably, it is because they can make better [business] decisions which may make a [higher] impact on the firm’s performance...So, they may think what the points of trying to go to training courses in order to sharpen their skills because it seems that they are not recognized as such. [But] it is not considered a good reason because people in the frontline level contribute to the firm’s performance as well. They should have been entitled to the bonus and [extra] benefits plans.” (Interview)

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<td>29%</td>
<td>49%</td>
<td>7%</td>
<td>45</td>
</tr>
<tr>
<td>DR</td>
<td>My rewards are fair in relation to my contribution.</td>
<td>0%</td>
<td>21%</td>
<td>26%</td>
<td>53%</td>
<td>0%</td>
<td>34</td>
</tr>
</tbody>
</table>

(Codes: M = Managers, DR = Direct Reports, n = Number of Respondents)
(Scales: SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree)
However, the survey results show that approximately half of the groups studied (49% of the managers and 53% of the direct reports) have a positive perception of fairness in the relationship between rewards received and their contributions to the firm (see Table 4.12). The follow-up interviews capture an intriguing comment from one of those who feel uncertain of fairness in their rewards. That is to say, some employees look beyond the offered C&B plans insofar as their basic economic needs are fulfilled. Rather, they give more importance to a sense of “challenge” inherent in their jobs. Not only does it increase job satisfaction, but also it implicitly proves that rewards are no longer the superior motivation factor to retain people. This supports the work of Robbins (2003). To some degree the sense of “job challenges” tends to take precedence over that of employee reward benefits in KFI (EU-Nordic). Typical comments are observed:

“...Salaries and benefits we earn from Kelly are pretty attractive and but seem not to be equally distributed across the board when [especially] compared with what those in higher managerial positions get...I believe that people who stay put in Kelly are satisfied with jobs and place financial incentives as a secondary priority.” (Interview: Corporate Affairs Manager of Kelly Foods (Norway))

“...We consider the nature of the jobs we do over the money we earn.” (Interview: Marketing Manager of Kelly Foods (Sweden))

Thus far, the findings of the study have shown that, despite explicit C&B polices in place, critical views on a gap between the stated C&B policy and the reality experienced by employees, such as perceived fairness of pay and rewards, may cause their resentment and lower morale in developing their human capital.

**Summary: Reactions to the HR management rhetoric**

In summary of the HR management rhetoric, the findings of the study reveal that there are substantial differences between the rhetoric of what the HR functions seek to achieve and the reality experienced by employees in the area of recruitment and selection, training and development, performance management and compensation and benefits. The tension between rhetoric and reality reflects much of what has been researched about HR practices (Legge, 1995). In the present study, the HR practices are designed to support the notion of human capital development within an organization, with a primary focus on attracting, developing and retaining a highly qualified and diverse workforce in alignment with the firm’s business strategies. This lends support to the studies of Gratton *et al.*
It is evident from the data that recruiting the right people, developing them through training programs and retaining them with compensation and recognition schemes are the key features of human capital development (i.e., knowledge, skills and abilities (Youndt et al., 2004)). But there is clear variation among employees in the acceptance of the HR practices as part of the human capital program. Satisfaction with the HR practices is relatively high throughout, although there are issues of whether the learning (from training programs, for example) can be transferred to the workplace, whether there are any observable results that stem from the introduction of human capital principles, and whether employees’ interpretations and experiences toward HR functions would affect their attitudes toward human capital development. At this stage, employees are generally well informed of the rhetoric of the human capital concepts and, to some extent, put those concepts into practice.

The human capital rhetoric is often presented as being an extension or amendment of practices with which employees are previously familiar, such as LMCI. Because this program is well received within KFI (EU), senior managers expect that its continuing presence will act as a reassurance to employees. However, there is an opposing effect which is manifest through employees believing that very little had changed, and the presentations and information surrounding human capital is merely hype and an example of a superficial and transitory phenomenon.

4.7 Making sense of the rhetoric: Explaining employees’ interpretations

As stated at the outset of this research, the three dimensions of organizational rhetoric are dependent on the sense made of them by individual employees. As Zbaracki (1998: 630) puts it: “social construction processes demand that we consider a dialectical process by which people negotiate an understanding of the everyday realities they encounter.” In this chapter, the author has considered how senior managers at KFI (EU-Nordic) have introduced a human capital program. It has been apparently a wide-ranging and complex piece, with the message of the program being conveyed to multiple audiences and using both symbolic and technical aspects of human capital to secure acceptance by employees. How employees have understood the human capital rhetoric has been described and evaluated throughout the chapter. But here the author intends to draw some more observations on the social psychological forces at play (Ashford et al., 1997) which drive acceptance or non-acceptance of rhetoric such as human capital.
From the focus group and interview data, it is found that employees, including managers, are willing to embrace the rhetoric of the human capital initiatives and turn them into actions based on a combination of two primary aspects: cognition and motivation. First, employees’ cognition reflects how employees’ perception and interpretation may influence potential actions to be undertaken (Thompson et al., 1999): “…I try to develop some understandings of the programs before justifying whether they are good or bad.” (Focus Group: International Marketing Manager of Kelly Foods (Sweden)) Second, employees’ motivation is concerned with how employees’ personal attitude may drive any potential actions to be undertaken (Holbeche, 1998): “…When I think the programs are good for me and help me improve skills and abilities, I surely want to attend them.” (Interview: Computer Coordinator of Kelly Foods (Norway)). Probing beneath these aspects, Table 4.13 shows the recurring themes of perceived self-interest (Section 4.7.1) and perceived organizational support (Section 4.7.2) which reflect how the notions of cognition and motivation play their role in driving perceptions and actions. This is built on the work of Argyris (1982), who asserts that a matter of motivation and cognitive programming accounts for the fundamental process of how organizational members think and act upon certain circumstances. These overarching themes are derived from interviewees’ responses based on the interview question asked of all interviewees, “What are the key factors influencing/motivating you to adopt the ideas learnt from corporate initiatives or activities and put them into practice?”

<table>
<thead>
<tr>
<th>Interview responses</th>
<th>Frequency of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived self-interest</td>
<td>27</td>
</tr>
<tr>
<td>Perceived organizational support</td>
<td>21</td>
</tr>
<tr>
<td>Interpersonal relationship improvement</td>
<td>3</td>
</tr>
<tr>
<td>Group work effectiveness</td>
<td>2</td>
</tr>
</tbody>
</table>

Note: The italicized responses are the focus of the study.
Source: Interviews of managers and direct reports (n = 31), multiple responses allowed.

4.7.1 Perceived self-interest

There is evidence that some KFI (EU-Nordic) employees embrace rhetoric on the basis of self-interest. They intuitively make sense of and understand the significance of the human capital program in the first instance. Then, they compare the values of these inputs with their individual needs or prioritized interests, by asking themselves the
questions, “What is in it for me?” and “How has it affected my work-life or career?” In this context, they form some sort of attitudes toward the program, and then justify potential actions to be undertaken (Weick, 1995). In support of this view, some comments are observed:

“I’ll take on any corporate values that match my personal beliefs, values and needs. So far, Kelly’s values are in line with mine. Also, I probably adopt the corporate activities, such as training and coaching, and adapt [some of the] learning tools to work only when I see its value to fulfill what I lack of.” (Interview: Plant Controlling Manager of Kelly Foods (Norway))

“…Working hard for the money is not my priority of being with Kelly Foods. It is about the opportunity to develop myself as a professional with high standard skills and capabilities.” (Interview: Inventory Planner of Kelly Foods (Sweden))

It is found that as long as employees have had a positive attitude toward work, they are likely to develop self-motivation to go above and beyond the call of duty. This is consistent with the work of McGregor (1960). Also, a KFI (EU-Nordic) employee’s positive attitude helps expand the range of efforts because he/she feels increasingly engaged with work, leading to concrete actions (Kahn, 1990). For instance, at the interviews, there is clear evidence that managers’ positive attitude tends to yield positive actions. The comments below illustrate a link between attitudes and actions undertaken in response to corporate strategy, structure and HRM, respectively:

“…I perceive that our corporate strategies are very aggressive in a sense of being the best in the world’s food industry. Well, I firmly believe that it’s possible because we have strong brands and management teams. I do have faith in it. And it fits my ambition [as a personal value] to work for the firm that aims to be second to none. I have been ready and continued to be part of Kelly to reach the pinnacle of its business excellence…That’s why I am committed to working very hard so as to achieve my personal desires and goals.” (Interview: Marketing Manager of Kelly Foods (Sweden))

“Though the matrix structure of KFI (EU-Nordic) brings several challenges to my work, I look on the bright side in terms of enriched diversity promoted within the firm…I like to work with people from different backgrounds and want to get involved more in my functional role. Therefore, I have initiated several projects that draw a diverse group of smart, well-rounded people from various functions to work on it.” (Interview: Group Brand Manager of Kelly Foods (Sweden))
“...I view that my skills can be improved by taking the training courses and learning from the jobs themselves. The reason for adopting the applications hinges on the contingent context. I do need to have confidence in the tools whether they are going to work in the first place. Then, for example, extracting the core contents of the LMCI models for the real-life applications is sensible. And I really practice what I preach. In short, if I need it and believe in it, I will use it.” (Interview: Demand Planning & Replenishment Manager of Kelly Foods (Norway))

Despite the presence of these positive views, the findings of the study reveal that an employee’s negative attitude toward work systems may erode his/her morale and job satisfaction through experience. It thus leads to negative actions, such as work disengagement and unlearning. Typical comments are observed:

“It is part of the corporate culture where we need to learn how to say “no” to the superiors or colleagues, especially at times of drowning in heavy workloads and tight deadlines. I’ve learnt it through experience and refused to involve in various projects of which I feel too much overwhelmed. I feel terrible about it but don’t know what to do.” (Interview: Inventory Planner of Kelly Foods (Sweden))

“...Kelly has become too big to move faster than it should. Bureaucracy is a serious problem. Sometimes my boss seems to be too slow to respond to what I try to put through. The deadline of the project is pretty tight, and she cannot make a decisive call because she always needs to ask for consensus from her superior.” (Interview: Planning Coordinator of Kelly Foods (Norway))

4.7.2 Perceived organizational support

From the data reported here, it is found that some employees interviewed who experience a strong supportive organizational context feel obliged to reciprocate with attitudes and behaviors that in turn benefit KFI (EU-Nordic). The sales manager of Kelly Foods (Sweden) explains:

“...Because I believe that I have been working for one of the greatest firms in the country, I feel that it's my responsibility to do the job that helps the firm grow. Every time when I can hit the sales targets, I feel that I have achieved what I have to achieve for the firm and for myself.” (Interview)

From the interviews, KFI (EU-Nordic) employees are likely to engage in corporate activities that, they perceive, can enhance their capabilities to deliver organizational outcomes, rather being simply motivated by financial incentives:
“…We are willing to develop ourselves to get the job done effectively because if the company grows, we grow...Any training courses that provide me better skills; I’ll take them.” (Interview: Marketing Manager of Kelly Foods (Sweden))

“…We work here because it is the place where we can use our knowledge and trainable competencies to help increase Kelly’s profits which bring us rewards and pride.” (Focus Group: Financial Analyst of Kelly Foods (Norway))

There is evidence that the provision of opportunities to develop skills, knowledge and behavior is instrumental in the diffusion of human capital:

“…Having been with Kelly Foods (Norway) for seven years, I participated in various development programs like LMCI. Over [the] years I have developed my skills and competencies necessary to be a highly effective manager...I do have great faith in my abilities to lead the firm to a higher market position. Well, it is part of my responsibilities, anyway. I also acknowledge that, to achieve it, Kelly [has] offered me lots of opportunities to strengthen my capacities like training and all that. Kelly [heavily] invests in brands and people, no doubt about it...The firm’s success brings me career growth and rewards in return.” (Interview: Marketing Director of Kelly Foods (Norway))

Despite the presence of positive views, there are a number of critical views concerning limitations of organizational support and resources, such as budget constraints and a demanding workload, which may de-motivate the KFI (EU-Nordic) employees to do their jobs well. Such constraints tend to prevent the employees from developing their human capital (i.e., acquiring new knowledge and applying new skills) at a greater extent. Some critical comments are observed:

“…It’s not a great move for the firm to cut my sales budget, despite the economic setback. It’s important to hit hard on the sales targets at the time when consumers seem to back off. Therefore, we have to work harder to find some other ways to reach our sales goal.” (Interview: Sales Manager of Kelly Foods (Sweden))

“…I believe that it will if we have sufficient budgets to support the training programs. Normally, we need to prioritize our budget necessities to the production matters and, unfortunately, cut off the training budgets. With this constraint, some managers feel reluctant to attend the programs offered by the central HR department.” (Interview: Section Manager of Kelly Foods (Norway))
As the interviews progress, more in-depth questions are asked to gain insights into the underlying reasons that drive the psychological contract. One such question is, “What are the benefits that you expect to gain from your contributions to the firm?” Emerging out of the study, Table 4.14 depicts the recurring themes of the interviewees’ responses which are categorized under professional development benefits, as echoed in the works of Lähteenmäki & Paalumäki (1993) and Huber (1967). These benefits are claimed to be KFI (EU-Nordic) employees’ key motivational levers that drive them to make further contributions to the firm. This lends some support to Szulanski (1996), suggesting that if rhetoric has a record of usefulness, it is easier to transfer to employees and for it to become part of the enacted reality.

### 4.7.3 Professional development benefits

The notion of professional development benefits has probably emerged through the interviewee’s perceptions of the stated policy of professional development at KFI (EU-Nordic). In the company’s document, it states: “employees’ growing needs to secure continuous learning and improvement for career growth.” Such a rhetorical description seems to be broad-ranging and superficial, though it can be implied that this espoused policy aims to engage the KFI (EU-Nordic) employees in developing their human capital (i.e., knowledge and competency) for career advancement. This appears to be in line with the definition of professional development suggested by Madden & Mitchell (1993: 12):

> “The maintenance and enhancement of the knowledge, expertise and competence of professionals throughout their careers according to a plan formulated with regard to the needs of the professional, the employer, the profession and society.”

It is evident that KFI (EU-Nordic) employees’ professional development benefits are underpinned by the notions of knowledge and competency (Section 4.7.3.1), flexibility

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### Table 4.14 Elements of professional development benefits

<table>
<thead>
<tr>
<th>Interview responses</th>
<th>Frequency of responses</th>
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<tbody>
<tr>
<td>Knowledge and competency</td>
<td>29</td>
</tr>
<tr>
<td>Flexibility</td>
<td>26</td>
</tr>
<tr>
<td>Career development</td>
<td>25</td>
</tr>
</tbody>
</table>

Source: Interviews of managers and direct reports (n = 31), multiple responses allowed.
(Section 4.7.3.2) and career development (Section 4.7.3.3), as the recurring themes arising out of the study. The literature suggests that, these notions basically go beyond what formal training initiatives can offer (Fleisher, 2003). The provision of knowledge, skills and abilities has mostly come through informal experience (Fleisher, 2003). Also, the data suggest that these elements of professional development have contributed to enhancing employees’ organizational commitment (e.g., Swailes, 2002; Meyer & Allen, 1997) through their positive perceptions of organizational support and flexibility. Typical comments are:

“To determine professional development requirements, the employees have to diagnose their own needs by which knowledge and skills are to be broadened. Also, they have to think about the development of personal qualities necessary for the execution of professional duties throughout working life…Then they can become more highly capable managers.” (Interview: Project Engineer of Kelly Foods (Denmark))

“…I’ve consistently participated in the training programs at Kelly because I have addressed the needs for training during the MAP process…I feel that Kelly has responded to my needs pretty well and that it’s one of the reasons why I stay put with Kelly.” (Focus Group: International Marketing Manager of Kelly Foods (Sweden))

Against the above statements, it is found that there is a gap between the organizational rhetoric and employee experience, whereby the employees are likely to feel de-motivated to enrich their professional development. For instance, time pressure and excessive workload have prevented employees from maintaining work-life balance effectively:

“…At Kelly, it is not possible for me to give my best on both family and work aspects.” (Interview: Customer Marketing Manager of Kelly Foods (Sweden))

4.7.3.1 Knowledge and competency

This overarching theme is considered a crucial area of individual development and seen as a direct benefit through which employees can gain from practicing the concept of human capital. In the company’s document, it states that, “We offer lots of opportunities for our employees to learn and grow.” This raises a question whether the employees actually believe and practice such organizational rhetoric. There is clear evidence that the KFI (EU-Nordic) employees attempt to capitalize on an opportunity, one way or another, to acquire knowledge and competency through several sources. They include, for
instance, internal business documents, training workshops and informal dialogs among the employees at all levels, this final one being the focus of all. That is to say, at the interviews, there is a strong emphasis on the importance of interactive dialogs among colleagues because it allows knowledge and ideas to be shared, rather than leaving them implicit and unused. In a sense, it is a way they learn to develop their professional skills, such as interpersonal communication. Some comments are noted:

“…Down the hallway or at the meeting room, we always talk, give and take comments among one another. It is one way to get our colleagues and employees on the same page [work or projects] that we are working on.” (Focus Group: Brand Assistant Manager of Kelly Foods (Sweden))

“…I realize that great ideas do not always come from one person’s head. Rather, they are brought out by a working team through discussions.” (Interview: Planning Coordinator of Kelly Foods (Norway))

The above statements raise an important point that the employees gain not only diverse perspectives about work, but also benefit from interpersonal relationships, or so-called “networks of friendship at work.” (Interview: Marketing Manager of Kelly Foods (Sweden)) The result of these relationships is far-reaching, as suggested by Monk (1997). At interview, it is also found that building social networks tends to foster employees’ sense of camaraderie, which in turn supports innovation-oriented exercises across the company: “…I’ve worked with many people from many departments which bring lots of good ideas and good friendship.” (Interview: Marketing Manager of Kelly Foods (Sweden)) This is in line with the work of Nahapiet & Ghoshal (1998). Notably, there is no explicit aim of creating social networks stated in the organizational rhetoric. Rather, it is considered a by-product of firm’s support of consistent communications within KFI (EU-Nordic). It can be implied that a primary focus of such a corporate rhetoric is to improve bottom-line corporate outcomes, rather than developing the individual. This argument is corroborated by a critical comment:

“…Knowledge is powerful, endless and everywhere. It depends on how we locate, analyze, apply and retrieve it for commercial purposes…in the way the company needs lie…We need to gather information from both internal and external sources…so as to make the right decision…it seems like the ultimate objective is to grow the firm, other things are secondary.” (Interview: Conversion Manager of Kelly Foods (Norway))
Though KFI (EU-Nordic) attempts to provide opportunities for its employees to learn new knowledge and skills, there is a tension between individual aspirations to acquire knowledge and company’s resource availability. This may impede employees’ professional development due to their feeling of de-motivation. A critical view is observed:

“…Well, opportunities are everywhere but somehow they are limited and only available to a certain group of employees, especially those who hold managerial positions. I regrettably feel that my non-managerial title seems to automatically screen me off from access to those opportunities. And how I can further develop my skills?” (Interview: Computer Coordinator of Kelly Foods (Norway))

4.7.3.2 Flexibility

The flexibility issue is manifest through an increasing focus on employee’s work-life balance at KFI (EU-Nordic). At the focus groups, it is found that the KFI (EU-Nordic) HR management team has placed great emphasis on flexibility for years since it partially characterizes a traditional working culture of people in the Nordic area:

“Speaking of work-life balance, it’s been long practiced in the Nordic region because it’s our culture to care for the family matter as much as the work matter...What Kelly’s flexibility programs are not new for us but, in a way, it’s important for the firm to reinforce it and seriously address it in the corporate agenda.” (Focus Group: HR Director of KFI (EU-Nordic))

“We work hard but we care much about the family, too. Otherwise, there is no point of working very hard. It is what I believe and what I practice. I may not be able to speak on behalf of the whole Nordic employees. But I think most, but not all, of them have the same belief as I do.” (Focus Group: Assistant Brand Manager (Coffee) of Kelly Foods (Sweden))

In connection with the above statements, the managers claim at the interviews that they are likely to be intrinsically motivated to do their jobs well because they are able to manage their work and life aspects in a more efficient way. When employees have choices in working time and space to develop knowledge and competencies, they tend to build a strong sense of organizational commitment to deliver positive performance. Typical comments are observed:
“…Since I have no worries behind at home, I can concentrate more on my work which is so demanding.” (Interview: Client Account Manager of Kelly Foods (Denmark))

“I have got a feeling that Kelly has always realized how important the family matters are. And that makes my work life easier.” (Interview: Research & Development Program Leader of Kelly Foods (Norway))

“…One of the main reasons that I work for or stay with Kelly is that it helps me realize my potential to do great work. It also allows me to develop competencies needed to become a successful manager or a leading employee. I have no hesitation to leave the firm if I no longer find any challenging jobs or the firm decides to drastically reduce support of training or professional development.” (Interview: Customer Marketing Manager of Kelly Foods (Sweden))

There have been a number of initiatives designed to support the work-life balance issue, such as flextime practices around established core hours, videoconferencing and telecommuting. Along this line, there is also a strong focus on encouraging people to work from home (especially those who work outside the production facilities, such as sales and supply chain). Therefore, the nine-to-five working schedule is no longer applied to white-collar workers at KFI (EU-Nordic). Rather, there is evidence that their sense of self-responsibility and self-motivation to perform a task (Brandel, 1982) serve as a significant contributing factor that enables them to manage both professional and individual lives effectively. Some comments are noted:

“…We [salespeople] have no official work hours because we work against the goals, not the amount of time spent at the office.” (Interview: Sales Manager of Kelly Foods (Sweden))

“Work is about having fun. A long-hours working climate in the office is not a symbol of working at Kelly. I have a family to look after. I feel committed to Kelly as much as it is committed to treating me well. It is a mutual benefit that both sides give to each other…The firm gives me flexibility to do whatever I care about. In turn, I feel more committed to delivering high-quality performance. Only the results that matter for Kelly, not processes.” (Interview: Customer Service Manager of Kelly (Denmark))

Despite the positive comments in place, there are critical views on challenges of flexible work arrangements that appear to cause employee dissatisfaction and lower organizational commitment. One of the managers interviewed says aggressively:
“No work-life plan supported, no commitment given, whatsoever.”
(Interview: Plant Manager of Kelly Foods (Norway))

Moreover, as stated earlier, most of the employees interviewed remark that enormous workloads and time pressures hamper work-family balance. This illustrates the point that, even though KFI (EU-Nordic) might be carrying out various work-life balance initiatives, there are a number of negative views against those pressures to which the management should pay more attention:

“In practice, though the company provides me a laptop and a remote access facility to the office computer server from home, it is very tough for me to achieve the best of both worlds – work and social lives. I have to travel quite a lot to visit clients or retailers because I need to hit the targets as set out by the department. The concept ‘work hard and play hard’ may be off the balance sometimes.” (Interview: Key Account Manager of Kelly Foods (Sweden))

“…If the work/life balance issue remains unfavorable by the time I have a family and a kid, I am likely to leave Kelly. Whenever my needs are not met, I in turn cannot contribute my best to the firm. Therefore, I perceive that my commitment to the firm has a great connection with the value of work/life balance. And it should have been on the grounds of reciprocal interests.” (Interview: Plant Controlling Manager of Kelly Foods (Norway))

4.7.3.3 Career development

This overarching theme has emerged as important during discussions of the knowledge exchange and flexibility issues at the focus groups and interviews. It has been considered part of the professional development domain at KFI (EU-Nordic) because, as suggested by Rhebergen & Wognum (1997), its employees are allowed to steer their own competency and employability through career development plans. This has embodied KFI (EU-Nordic)’s stated approach to managing career opportunities through a number of managerial statements regarding career growth in the company’s documents. In other words, individual employees have the freedom to choose their career paths, as driven by the principle “equal for all” (i.e., everyone has equal rights to career growth). There is evidence that such a rhetorical description appeals to attract specifically job candidates who seek professional growth and human capital development. This can be assumed that the same principle also appeals to the existing employees of KFI (EU-Nordic), as commented:
“…Individuals [existing and prospective employees] with a high degree of
initiative are likely to apply for a job here [Kelly] because they expect that
they have the opportunity to invest time and money to participate in career
activities. They are convinced that involvement in these activities would
strengthen their knowledge and skills; and that it should help them to set
new career goals [being promoted to a higher managerial position].”
(Focus Group: Financial Analyst of Kelly Foods (Norway))

Moreover, it is found at the interviews that KFI (EU-Nordic) sets forth a clear career
growth policy in support of a performance-based culture, which, as the interviewees
claim, leads to organizational commitment. For instance, some interviewees assert that
their career path is closely bound up with that culture, whereby there is an implicit
explanation to support a link between career opportunities and organizational
commitment. Some comments are:

“…There are plenty of career opportunities at Kelly. High achievers and
dabblers live under the same roof of Kelly. Only high-performing
employees have a promising future in [their] career. I expect to grow
professionally in career and Kelly, I feel, does whatever it can to support
me. If we prove worth being promoted, we will get that…Compensation
is the second priority of my [underlying] reasons behind personal
commitment to Kelly.” (Interview: Assistant Group Brand Manager of
Kelly Foods (Sweden))

“…Kelly has made a commitment to employee development by
supporting career and learning opportunities. We love to have some
liberty to decide our own career choices. Since the firm treats us [in the
way] we need, we should do our best to give back [to the firm] by working
hard and producing good results. I think it is a mutually shared
commitment between employees and Kelly.” (Interview: Plant Manager
of Kelly Foods (Norway))

The above statements raise a vital issue about the implications of the relationship
between career opportunities and organizational commitment, as found in the works of
Swailes (2002) and Bateman & Strasser (1984). It is basically viewed that managers’
freedom of choice in career paths can become an important contributing factor that
creates a sense of organizational commitment.

In summary, the domain of professional development, which includes knowledge and
competency, flexibility and career development, has emerged to explain how employees
at KFI (EU-Nordic) are motivated to develop their own human capital. As discussed in
each component, there is evidence that organizational support (i.e., flexibility programs
and career advancement initiatives) plays a significant role in motivating employees to do jobs well and building a sense of organizational commitment. Some critical views however are reported to denote the gap between what is being stated or perceived and what is actually enacted through employee experience. In terms of organizational commitment, the literature suggests that employees can be differentially committed to their superior, to their work group, to their organization and to an identity as it is operationalized in a job (Lee & Olshfski, 2002). The findings of this research have shown that professional development can also be a contributing factor to the bases of organizational commitment, thus supporting the work of Wallace (1995).

4.8 A framework of human capital development

This section summarizes the main findings of the present study and develops a framework through which the connections between rhetoric and reality in terms of human capital introduction can be assessed (see Figure 4.10). There are three major themes emerging from the data concerning the rhetoric and reality of human capital development presented within the organization. These are:

(i) The initiation stage, where a *corporate strategic rhetoric* is developed and introduced to the workforce. Here, the vision and values, human capital concepts and human capital strategies are designed and presented. These issues are presented to employees as changes that would enhance the organization and produce significant benefits to individuals. However, because these issues are presented in a rhetoric that is both high-level and abstract, employees struggle to make an interpretation of the rhetoric which is consistent with the intent of senior management. This is suggested by Gratton *et al.* (1999). The vision and values statements also generate problems in interpretation, with employees feeling unsure as to the priorities of these and their relative importance overall. There is also a strong sense that the human capital initiatives signal merely an exercise in window dressing and that the old “tough love” culture would re-emerge when firms become pressurized (Price, 2003). Employee skepticism over human capital concept leads to a feeling of uncertainty and a wait-and-see attitude, and an anticipation over whether there is a technical reality to go with the strategic rhetoric.
At the implementation stage, the *corporate structural rhetoric* about change is developed, concerning such issues as coordination and control in a matrix design and culture (Mintzberg, 1980). The scope of the human capital initiatives, and the high-level presentation and communication of the key ideas, ensures that a certain degree of ignorance remain among employees. What the ultimate outcome would be of human capital remains unclear. Whether the senior management are really serious about the human capital initiative, given the demands on the organization from its US parent, is also questioned by employees. The sheer size and weight of the matrix structure, combined with the new cultural information is daunting and fosters a retreat by many employees, including managers, into habitual behaviors.

*The rhetoric about HR management*, which states the detailed HR practices that will enable the KFI (EU-Nordic) employees to develop their human capital (Schuler & Jackson, 1999). These rhetorics are addressed to the heterogeneous workforce who have multiple identities and agendas and vary in their ability and willingness to hear the communications and presentations. Thus, following Weick (2001), it can be implied that the sensemaking process of employees underlies the eventual effectiveness or, otherwise, of the corporate rhetoric transfer. The context of the downsizing initiative means that the promise of human capital is hamstrung by anxiety and cynicism of employees. Few success stories exist over recruitment to spread the message of human capital, and in terms of hard performance data, there is none, since the human capital introduction has not been designed to include such metrics. Competing values and priorities among managers and employees means that for many employees, human capital becomes viewed as an addition to day-to-day work, rather than an integral part of it.
Figure 4.10   A framework of human capital development

HR management rhetoric
- Recruitment and selection
- Training and development
- Compensation and benefits

Corporate structural rhetoric
- Matrix structure elaborated
- Changes to corporate culture

Corporate strategic rhetoric
- Vision and values
- Human capital concepts
- Human capital strategy revised

Reality
- Brand identity affecting employment
doubt on training effectiveness
- Extrinsic motivation overridden
- Continued confusion over matrix
- Perception of winners and losers
- Legacy culture continued
- Variable absorption of rhetoric
- Ignorance due to complexity of change
- Confusion over benefits of human capital

Individual sensemaking: Enabling and constraining conditions
- Perceived self-interest and perceived organizational support toward human capital development benefits

Source: The author
4.9 Chapter summary

This chapter has explored three crucial dimensions that can distort the notion of human capital development in KFI (EU-Nordic), namely corporate strategic rhetoric, corporate structural rhetoric and HR management rhetoric, through a view of the interpretive frames of individuals (or the reality experienced by employees). It is found that there are substantial differences between the rhetoric of what the firm is seeking to achieve and the reality experienced by employees in these areas. The interaction of these dimensions is illustrated through a conceptual framework derived from mainly the interpretation of the focus group and interview data. This framework basically highlights the evolving nature of rhetoric and reality of human capital development within the organization. Equally important, there is a strong emphasis on a substantial amount of cognitive interpretation accompanying the process of organizational change (e.g., downsizing), based on an assumption that employees actively create an understanding of the environment within which they work (Isabella, 1990; Weick, 1979; Berger & Luckmann, 1967). What this assumption means is that within the organization there may be a multiplicity of interpretations of the “reality” of the organization - different views of the way the organization operates. Employees use framing - cognitive sensemaking of actions - in order to interpret information about human capital, to form an understanding of it, and to justify potential actions to be undertaken (Weick, 2001; Reger et al., 1994b). This plurality of interpretations obviously raises considerable problems for the organization attempting to narrow the gap between what the firm is espousing and what the firm wants its employees to believe. In the next chapter, the author will discuss the major findings of the study with regard to the relevant theory in the field.
Chapter 5
Discussion

“It is the constant and determined effort that breaks down all resistance and sweeps away all obstacles.”
- Bristol

5.1 Chapter overview
The purpose of this chapter is to discuss the main findings in light of some existing theories examined in Chapter 2. The present research aims to extend the body of knowledge of human capital regarding how human capital is conceptualized, developed and implemented within an organization. In particular, it addresses the nature of the interplay between rhetoric and reality and seeks to move beyond simplistic notions of this potential divide. It attempts to show how senior managers’ rhetoric is neither wholly ceremonial nor symbolic, but rather it has important implications to constitute crucial human capital issues. The interpretation of the rhetoric and its acceptance into the reality of organizational work is a complex process, dependent on a number of key issues, notably strategic, structural and HR management conditions. The framework presented at the end of the previous chapter highlights these key aspects of human capital development. It illustrates how the rhetoric and reality of human capital work interactively. As Zbaracki (1998: 630) claims: “if we wish to understand both the rhetoric and reality… of an institutionalized practice, we must take much more seriously the dialectical process by which organizational members make meaning of an institutionalized practice.” In this dissertation, the author has examined both senior manager intent in introducing human capital through discourses and the interpretations that employees have made of this introduction. With this in mind, the chapter is structured around five areas:

1) The emerging model (Section 5.2)
2) Rhetoric and reality of human capital (Section 5.3)
3) Human capital: Managerial and critical views (Section 5.4)
4) Complementary capitals: Enabling and constraining forces (Section 5.5)
5) Individual dimensions driving the promulgation of rhetoric (Section 5.6)
5.2 The emerging model: Introducing and developing human capital within the organization

From the point of view of the data themselves, the present research has explored the way in which KFI (EU) senior managers conceptualize human capital and translate its key elements into practice. In Figure 5.1, the unfolding process of human capital adoption is described through three essential stages of human capital diffusion within the organization.

**Figure 5.1 The process of adopting human capital concepts**

<table>
<thead>
<tr>
<th>Stage I</th>
<th>Stage II</th>
<th>Stage III</th>
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<tbody>
<tr>
<td>Human capital adoption</td>
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Corporate rhetoric \[\rightarrow\] Practical reality

Source: The author

**Stage I: Human capital adoption**

This stage is concerned with a number of factors concerning why and how the KFI (EU) senior managers decide to embrace the human capital concepts. *First*, the KFI (EU) management team faces severe pressure on margins from the power of the retailers which leads to strategic change in business and HR strategy of KFI (EU). This entails, in their view, a shift away from the process-driven management of people toward ensuring the development of creative skills among employees in order to foster an innovative organizational climate. This is in line with the works of Roff (1999) and Kotter (1996), arguing that the adoption of human capital elements is intended to support these forces for change in the organization. In doing so, the data have shown that the KFI (EU) management team brings in an academic and a consultant specialized in the field of human capital to provide insights on the link between human capital principles and their practices. This lends some support to the argument put forward by Huczynski (1993) that a relationship between managers and consultants is considered a crucial factor in determining the possibility to adopt and diffuse new management ideas within a firm.
Second, the literature suggests that the adoption of human capital seems to be a normative feature of firms in the food manufacturing industry (Peccei & Rosenthal, 1997; Othman, 1996). The desire to secure legitimacy, and with its considerable organizational benefits such as high standing in the industry and acceptance among key stakeholders (i.e., shareholders and employees), is a phenomenon charted by institutional theory (e.g., Kostova & Roth, 2002; Scott, 1995; Abrahamson, 1991; DiMaggio & Powell, 1983). Institutional pressures force firms to adopt similar structures or practices to gain legitimacy and support (DiMaggio & Powell, 1983). By being isomorphic with the institutional environment and through social networks (Abrahamson & Rosenkopf, 1997), the organization is better placed to access the needed resources (Meyer & Rowan, 1977), as conformity is rewarded through reputation and acceptance. Thus, organizations must accommodate institutional norms and expectations, even if their corporate norms have little to do with efficiency and performance improvement (Zucker, 1987). The pressure to conform is seen as an important means of acquiring enhanced legitimacy but rather just as much as providing increased management effectiveness (Fenton-O’Creevy, 2003). Though the focus on the present study does not look industry-wide, it does appear that convergence in practices within the food industry is advanced. In the interview data, senior managers admit that learning from other companies, particularly in the same sector, and also from consultants and academic advisors, have strongly influenced the desire to adopt human capital for the organization. These encounters with external users or advocates of human capital create a strong supply side push to the demand side pull of increasing competition (Huczynski, 1993) and need for breakthrough innovations. Because it looks like human capital works elsewhere, this creates a compelling rationale for its introduction within the organization.

Stage II: Human capital conception

Although the KFI (EU) and KFI (EU-Nordic) senior managers attempt to frame the introduction of human capital through changes, the concept of human capital is seen by some employees as a reinvention of current HR practice within the company. This has echoes of debates with HR management and other disciplines of the phenomenon of “old wine in new bottles” (Legge, 1998). The human capital program is perceived by some employees as simply an espoused restatement and thus has little or no force beyond the symbolic. In other words, human capital is identified as simply another fad or example of management fashion (Abrahamson, 1996). The findings of the study suggest that the hard
side of HR management (Storey, 1992) appears to be a continuing feature of the company, which the author shall return to this point later. This implies that the re-badging of HR management under the concept of human capital seems not to have changed the current HR practice.

The initial reaction of employees against the human capital concept is that of confusion – what does it all mean? – and to some extent a suspicion that the new forms of work will produce intensification of work in KFI (EU-Nordic). The rhetoric of senior managers is much concerned with the potential of human capital benefiting to the firm and its contributions to HR practice, with a particular focus on performance measurement. The assertion of instruments, such as Key Performance Indicators (KPIs) in HR, provides an impression that there is a strong technical element to human capital that can be captured with outcome measures, as traditionally assumed by Fitz-enz (2000). Therefore, it will enable the human capital programs to be accurately evaluated for efficiency and effectiveness (Fitz-enz & Davison, 2002). This piece of rhetoric - the potential measurability of human capital - is a significant part of the launch of the human capital program, guaranteed as it is to fit the strong measurement orientation of the organization. However, the findings of the study have shown that, despite this rhetoric being in place, the ultimate lack of a developed measurement system means that it fails, for some employees, to take a serious hold in the organization, thus simply reflecting the act of faith.

Through the data, the conceptualization of KFI (EU)’s strategy and human capital focus clearly is in line with the principles of the resource-based views of the firm (RBV) (Wright et al., 1994; Peteraf, 1993; Barney, 1986). In common with many organizations, KFI (EU) has focused more on internal resources (i.e., people and other intangible assets) in a bid to secure sustained organizational success (Gratton, 2004, 2001; Pfeffer, 2001, 1998, 1997; Schuler, 2001, 1992). The RBV suggests that having unique, inimitable human resources and the effective deployment of human resources are key to achieving competitive advantage (Barney, 1995; Wright et al., 1994). The KFI (EU) senior managers have placed greater emphasis on the importance of human resources. In doing so, they have attempted to change a number of corporate structural and cultural elements to enable employees' human capital to be developed and promote a more cohesive corporate culture. To support this RBV approach, the data have revealed that a number of structural and cultural elements have been changed to provide the context to enable
knowledge flows and the expression of creativity, reduce boundaries within and between organizational units and develop a more cohesive company culture.

For instance, refinements to the matrix structure and the development of new cultural norms are central parts of the rhetoric. The emphasis placed by the senior managers on these aspects, through presentations at important internal events, buttresses this rhetoric. Examples of Unilever and Nestlé and their structures and cultures are known to employees already to a greater or lesser extent, and such stories are also relayed by senior managers to demonstrate that conformity to such structures is part of remaining and sustaining competitiveness. There is also a strong element in the rhetoric that these changes are driven “bottom-up,” with employees, through the medium of satisfaction surveys, indicating that change is required in terms of structure and culture. Hence, the rhetoric is portrayed as senior managers being responsive to the needs and wishes of employees.

However, it is argued that the RBV itself can contribute to a gap which may arise between the rhetoric of policy and its enactment in practice, as suggested by Gratton et al. (1999). From the data reported, although the senior managers try to conceptualize how human capital should be developed in the organization partly through employee participation in discussions on changes, it appears that the scope and ambition of the human capital programs proposed lead to a certain degree of cynicism among employees. It is evident that there is a lack of appreciation of what the changes really mean, how sophisticated they are, and what the ultimate outcome will be of human capital. There is also a lack of commitment among middle managers and employees, given the demands on the organization from its US parent. Moreover, there is also a sense that employees are unsure of how to balance priorities that seems to conflict in terms of the cultural changes in particular. A previous focus on managing brand is now to be supplemented by a focus on innovation, thus demanding of employees that they need to “incorporate a new sector of reality into their everyday views of reality.” (Zbaracki, 1998: 621) The sheer size and weight of the matrix structure and the new cultural information is, according to a number of interviewees, daunting and promotes some to retreat into what they know well, preventing change occurring. As evidenced here, this shows that the espoused rhetoric of human capital is not necessarily interpreted in the same way and uniformly enacted; much depends on their perceptions and clarity of the rhetoric.
Stage III: Human capital implementation

In the last stage of the adoption process, human capital strategies are being translated into practical initiatives for implementation (Finegold et al., 2002). Arising out of the data, there are two main areas concerning human capital implementation: human capital in relation to HRM aspects and HR practices.

First, there is the conflicting evidence on the notion of human capital development in relation to HRM models. While the KFI (EU-Nordic) senior managers espouse to move from “hard” HRM to “soft” HRM (Storey, 1989) in order to create an environment for developing employees’ human capital, the findings have shown that they cannot manage to achieve successfully what they have espoused in the HR policies. In other words, practically, the hard model that professes “tough love” (Price, 2003) remains high on the agenda over the soft model, which emphasizes greater sociability (Goffee et al., 1998) and the development of long-term skills and commitment (Sisson, 1994). The tough love regime and the hard model exist, by nature, in most results-driven organizations, including KFI (EU-Nordic). They mainly focus on delivering short-term targets and applying high pressure on employees to deliver measurable outcomes (Storey & Sisson, 1993). Although expressions of long-term development, flexibility and diversity point to a reformed HR management climate, delivery of outcomes, particularly those in the short-term, remains prioritized. It simply mirrors the fact that the rhetoric is “soft” but the reality is “hard.” This part of the findings of the study lends strong support to the works of Truss et al. (2002) and Truss & Gratton (1997), arguing that a mixture of both hard and soft approaches exists within the same organization, despite an espousal of the value of the soft model in place (Truss, 2001a).

Another theme emerging from the study is that the use of HRM levers to push the human capital development agenda forward reflects the need, expressed clearly through the SHRM literature, for there to be a vertical and horizontal linkage (Gratton & Truss, 2003; Brewster & Larsen, 1992). In the literature, the vertical linkage refers to the alignment between strategy and HR capabilities and practices, whereas the horizontal linkage is concerned with the alignment between the various elements of the HR system, including recruitment and selection, training and development, appraisal and rewards (Guest, 1990; Beer et al., 1985). The findings of the study have shown that KFI (EU-Nordic) has faced a number of issues with some of the linkages. For example, clarity of corporate values has
not been apparent to a number of employees, who have questioned the balance between developing power brands and being innovative (focusing on brands may entail a lack of commitment to radical change), and between the demands of innovation and those of speed (innovation can be a long-term process). These tensions lead to negative employee attitudes toward human capital development, where some believe they have to make a difficult choice between these competing alternatives without clear guidance from senior management. Frequently, such choices err not only on the side of the existing culture and managerial mindset but also on the side of delivering short-term targets, rather than reflecting the importance of human capital development. Thus, the notion of human capital development becomes a “nice to have,” rather than an “imperative to pursue,” because it is considered dispensable under difficult and pressured circumstances.

In terms of horizontal integration (Gratton & Truss, 2003), there is a critical issue to be concerned. That is, the major link between appraisal and rewards seems clear in the stated policies but, in reality, pay bonuses extend only for middle managers, and not for the non-management cadre. It has thus caused some resentment, particularly among ambitious non-managers. Moreover, although links between goal setting and performance evaluation are explicit in the espoused statements, there are doubts about the revisability of goals in light of new market or organizational information. This critical concern shows that changes to the environment which can alter the achievability of goals may not be reflected in changes on the actual goal or target itself, thus resulting in some dissatisfaction to employees. This corroborates the work of Locke & Latham (2002).

Second, regarding the issue of the HR practices, the devolvement of HR responsibilities to the line managers may have an impact on employees’ human capital development. The literature on the relationship between HR devolvement and line management argues that for HRM to work effectively it must be “owned” by the line managers (Whittaker & Marchington, 2003; Guest, 2001; McGovern et al., 1997), thus yielding positive performance (Harris et al., 2002). Although the HR department takes responsibility for much of communication and implementation of human capital, it is acknowledged that it will be unable to work effectively unless the approach and ideas have become embedded within the line (Schuler, 1992). However, the data of the current study have shown that this is a particularly difficult issue for KFI (EU-Nordic). Since the line’s preoccupation with sales volumes targets has traditionally meant that responsibility for HR activities is
passed straight to the HR department. It is also evident in the findings that KFI (EU-Nordic) continues to struggle against this issue, despite an espousal of the benefits of having the line managers involved in HR functions. Furthermore, consistency across the KFI (EU-Nordic) line managers in how they apply human capital initiatives remains an area of concern. The degree to which the line managers really feel that, by carrying out human capital, their department’s performance will improve, has meant patchy take-up. A number of anti-human capital development rhetoric have been generated among the line managers, primarily around the fact that it takes attention away from their business fundamentals and becomes a distraction from the day-to-day work. This evidence lends support to the study of Thornhill & Saunders (1998). They argue that these problems have altered the original rhetoric and diluted, if not undermined, the importance of how the line managers holding HR responsibilities can make a significant effect on a way their employees develop human capital.

5.3 Rhetoric and reality of human capital

Human capital, like its close relative SHRM, has been dominated by a prescriptive and managerialist literature (Mayo, 2001). It sets out key aspects that should be adopted and, if implemented well, will result in business unit or organizational success. The adoption of such practices has become widespread, but this may be simply for reputational purposes, with the badge of human capital serving to secure an institutional legitimacy on the organization (cf. Shane & Foo, 1999). From a theoretical perspective, the data serve to shed some light on the understanding of a sense in which rhetoric and reality can diverge. But in this study there is another deeper sense that the author has tried to explore. By following an assumption of Legge (1998) that both “rhetoric” and “reality” are equally “real,” and neither has ontological priority, the author has thus focused on the relationship between what people say or written policies state - (the rhetoric of human capital use) - and what people enact - (the reality of human capital use) (Argyris, 1980). To frame an understanding of the study, Barley & Kunda’s (1992: 363) definition of rhetoric as “a stream of discourse used to construct, spread, or sustain a set of assumptions’ about an issue or subject” has been taken up throughout this research. Its implication is evident in the focus group and interview data. That is, such discourse essentially reflects the means of language used to communicate human-capital-related issues to the KFI (EU-Nordic) employees. Therefore, they themselves invent concepts, models and schemes to make sense of their lived experiences and enact differently, in light of their belief, norm and
culture. This is consistent with the argument put forward by Gergen (1999) that organizational members continually test, modify and negotiate the reality, depending upon their experience.

In the present study, rhetoric, on this account, has been used as a neutral term. For some employees, the term “rhetoric” indicates a degree of cynical exploitation or deception (Carter & Jackson, 2004). The critical and political view on rhetoric means that rhetoric forms an attempt to dress up reality in order to gain compliance and consent of employees, primarily to legitimate intensification of work (Keenoy, 1990). The data have revealed how KFI (EU-Nordic) senior managers have attempted to convey the rhetorical messages with greater or less success within the organization, through both speaking and writing forms, to the employees. Some of which is tied with financial rewards that the employees may earn from the firm if they continuously develop their human capital to do the jobs better. In fact, these lead to a high level of skepticism that the introduction of human capital is only for the benefit of the firm, rather than the employees. Also, the mere fact of its introduction means an emphasis on working even harder and faster within the workplace. At a time of downsizing, for example, the cynical response is that the human capital program means nothing more than tighter management control, increased targets and greater potential threat of more redundancies. This corroborates the work of Cascio (1993).

However, not all employees interviewed have shown skepticism over human capital. There is wide variation among employees; the fact that there are multiple audiences with diverse interpretations underlines how complex it may be for the process of human capital development to become embedded.

5.4 Human capital: Managerial and critical views

The previous section presents how the relationship between the espoused rhetoric and enacted reality can contribute to the understanding of human capital development. In this section, the author has taken a step forward to explore the context of managerial cognition and the psychological contract in relation to critical views on human capital.
5.4.1 Managerial cognition and the psychological contract

The literature on managerial cognition suggests that introducing a new organizational program requires changes in terms of policy, practice and processes because managers need to ascribe its meaning of complex issues based on many possible interpretations (Weick, 2001; Thomas et al., 1994; Isabella, 1992; Daft & Weick, 1984; Weick, 1979). At the same time, different employees use different framing - cognitive sensemaking of events and actions - in order to interpret information and to determine how inferences are drawn from past experiences (Reger et al., 1994b).

The findings of the study have shown that much of the rhetoric of human capital within KFI (EU-Nordic) is interpreted not just in terms of its symbolic nature but also in terms of what practical benefits or non-benefits such an introduction may bring. Arising out of the study, two important issues are observed. First, the KFI (EU-Nordic) senior managers claim about the benefits to organizational performance and bottom line results are interceded to grip employees with the sense that their performance will be enhanced in a real sense by the human capital program. However, the technical content of the human capital program is often specified insufficiently. The lack of specific cost outcomes for the introduction of human capital, allied to the lack of key performance targets and indicators, means that the human capital program is perceived by many employees to have inflated claims for its efficiency and effectiveness. Evidence of success stories following its introduction is hard to find and certainly are not communicated well. Thus, the data of the current study argue that the human capital introduction is relatively difficult to sustain in terms of momentum.

Second, the vague nature of the perspectives of human capital programs within KFI (EU-Nordic) means that there are multiple interpretations of what human capital means, with some elements accepted (where in general they do not diverge significantly from existing practices) and some contested. Without the clear technical benefits explained and stories of success highlighted, the idea that human capital is, again, merely a fad or a fashion is expressed by some employees (Abrahamson, 1996). This is also in line with the study of Zbaracki (1998), arguing that it is important to distinguish between the technical and rhetoric elements of such programs.
In the critical literature on the psychological contract, a breach of the psychological contract is a subjective experience, referring to an employee’s perception that the firm has failed to fulfill adequately the promised obligations of the contract (Johnson & O’Leary-Kelly, 2003; Robinson, 1996). It is also an employee’s belief that a breach has occurred which affects his or her behavior and attitudes, regardless of whether that belief is valid or whether an actual breach has taken place (Sparrow, 1998). Through the findings of the study, although introducing an initiative such as human capital involves change and that could be said to breach existing psychological contracts, the rhetoric around human capital suggests that this will ultimately benefit every employee. That is, it aims to promote individual skills and innovative capability and increase in flexibility of work and diversity. As evident in the findings, such rhetoric creates unrealistic expectations, which cannot be uniformly fulfilled for every employee. This lends strong support to the work of Rousseau & Parks (1993), arguing that a tension between the psychological contract and expectations poses challenges and carries unintended consequences to any organizational change. The legacy of the old culture within KFI (EU-Nordic) and the downsizing program entail that mixed messages are received about the nature of the firm and the expectations that are relevant. The findings of the study resonate with the work of Argyris and the notion of defensive routines (Argyris, 1960). That is, employees, through human capital initiatives being perceived as either threatening or vague, or as involving increases in task activity produced defensive routines. Such routines surrounding the recasting of the rhetoric into something familiar (and therefore not a change at all) or something held up to scorn (just another initiative) or something ultimately impractical, producing mixed messages which give employees the cope to stay with traditional values and traditional working practices.

5.4.2 Critical views on human capital

In the human capital literature, there is a tendency to exclusively focus on reporting the voice of management (Clark et al., 1998), while human capital research on those who receive, absorb and amend human capital practices (i.e., managers and employees) is given little attention comparatively. The general trend in such research has been therefore essentially “managerialist” (Clark et al., 1998) and so can be viewed as a new form of managerial control (Townley, 2002, 1994). This form of control operates through the development and socialization of employees and through the reframing of the psychological contract between a firm and employees to emphasize “a new reality” (Clark,
The data shown in the present study argue that the managerial rhetoric and the espoused policy about human capital are perceived by some employees as a “one-size-fits-all” approach to delivering certain attractive outcomes for every organizational member. Clearly, some employees interviewed are aware of the potential of the human capital program to intensify work and to increase the visibility of the relative merit of individual employees. In this sense, human capital does not present a “mask” to employees beneath which a host of managerialist edicts is hidden. They are knowledgeable about these risks, and this highlights the view that organizational initiatives such as human capital are not a neutral and unambiguous intervention, but employees literally become passive “dupes of this ideology.” (Watson, 2004: 452) (see also Guest, 1999).

However, probing beneath the surface, this rhetoric is subject to criticism as glossing over the inherent contradictions within the workplace, thus supporting the work of Ezzamel et al. (1996). That is, the introduction of human capital is accompanied by a renewed emphasis on cost efficiencies and a redundancy exercise (Wilkinson & Willmott, 1995). It increases employees’ strong sense that the human capital program will in fact make individuals more visible and calculable and so more likely to be assessed in terms of future redundancies. Again, this shows that the presence of negative interpretations of employees toward ambiguous human capital programs may downplay the need for human capital development within the organization.

5.5 Complementary capitals: Enabling and constraining forces

**Structural capital**

A matrix design of the organizational structure in KFI (EU-Nordic) has proven to be both enabling and constraining mechanisms to developing human capital. On the one hand, the matrix structure helps streamline a way for KFI (EU-Nordic) to be flexible, thus enabling employee’s human capital to be developed (e.g., knowledge sharing and skill training). The data have shown that employees’ extensive knowledge sharing and exchange in a cross-functional environment enables them to be more creative and innovation-oriented, thus supporting the study of Eppinger (2001). Such a practice reflects a way in which the firm promotes the notions of intellectual and social capitals within the firm, as put forward by Nahapiet & Ghoshal (1998: 248) that “since intellectual capital generally is created through a process of combing the knowledge and experience of different parties, it, too is dependent upon exchange between parties.” This is in line with the research results
suggested by Kanter et al. (1997), who investigate the extent to which the large corporations studied, such as 3M, General Electric, DuPont and Pfizer, embrace the notion of human capital development through the matrix design.

On the other hand, it is argued that the matrix structure leads KFI (EU-Nordic) employees to confront some challenges against (anticipated) bureaucratic practices. There is evidence in the data that the emergence of bureaucracy seems paradoxical to the KFI (EU-Nordic) corporate value “speed” - fast responsiveness to the market. This partially results in employee’s resentment against the principle of the matrix form because bureaucracy in the matrix design becomes a key constraining factor to employees’ human capital development. That is, while employees have the freedom to think and propose “whatever they believe is the best for the firm” to management teams, they are somehow restricted in space to push forward their ideas for concrete results. This may discourage them to develop their innovative thinking and ability to a greater extent.

Formalization and standardization in the decision-making process also become major stumbling blocks. Like other large organizations, it seems however to be inevitable that bureaucracy, flexibility and speed will coexist within the same organization. Despite this argument, the balancing of formalized, central controls with flexible organization design practices is found in a recent study of a successful matrix-structured company, Microsoft, conducted by Herbold (2002), who describes how Microsoft balances people’s creativity and human capital with corporate performance. He broadly argues that it is imperative for senior managers to make pragmatic decisions about which projects to standardize and formalize, and which ones to decentralize. In this context, the firm is likely to achieve both positive outcomes while creating an environment for individuals to develop their human capital. By viewing this argument critically, it seems to be viable in theory but remains questionable in practice. This shows that even a successful company faces similar challenges of human capital development in light of the matrix organizational design but manages to seek a balance between the two. However, it is not to say that KFI (EU-Nordic) will be successful in a similar way by simply following the same pattern as Microsoft has achieved. It certainly depends on several variables and contexts, such as corporate resources, internal environment and culture.
In response to the above downsizing effects, the Nordic management teams claim that they have made a serious effort to prevent any further depletion of knowledge networks through various schemes, notably proactive preparations for change repercussions from remaining employees, or so-called “survivors,” and the strengthening of close relationships with labor unions. Open channels of communication, interpersonal trust and acceptance are the building blocks in constructing motivation, productivity and commitment among these layoff survivors (Brockener et al., 1990). Much attention is dedicated to retaining survivors since they have rigorous firm-specific competencies essential for building competitive advantage. Also, it is imperative for the firm to ensure that they still have a strong commitment to the innovation-oriented business model. This view is similar to the observation of Cascio (2002a), who explains the reason why an organization undergoing staff retrenchment should focus on people as a sustained source of innovation. Downsizing may reward current shareholders (higher stock earnings) in the short term, but it will leave KFI (EU-Nordic) moribund in the long run.

**Social capital**

Social capital can act as a constraining force for human capital development. This draws on ideas from the works of Rastogi (2000), Goffee et al. (1998) and Burt (1997) that social capital serves as the contextual complement to human capital (i.e., knowledge, skills and abilities (Youndt et al., 2004)). The traditional literature suggests that social capital can be characterized as mercenary - high in solidarity (focus against competitors) but low in sociability (camaraderie and communal spirit) (Goffee et al., 1998). This is a result of the strong short-term nature of the business and the norms of instrumental individualism that permeate the organization from parent through to operating units. Moreover, Rastogi (2000) asserts that social capital is important to an organization pursuing innovation-oriented business activities. As such, failure to create such social capital to support innovation through people may jeopardize positive corporate outcomes in the long run. The findings of the study lend some support to these arguments, as put forward by Rastogi (2002) and Goffee et al. (1998). That is, though the siloed business units are successful, as is the organization overall, the new requirement for innovation means that the lack of long-term thinking and the lack of effective cross-functional knowledge sharing among the workforce is holding the firm back. The data have also shown that many managers and employees interviewed face time and workload pressures which directly divert their intention away from sociability, leaving them less flexibility to develop their innovation-
oriented knowledge and skills. Therefore, this appears to be a constraining force for promoting human capital development within the organization.

5.6 Individual dimensions driving the promulgation of rhetoric

Much of the literature has centered on human capital development at the organizational level, with an emphasis on how a firm can develop human capital for building its competitive advantage (e.g., Fitz-enz & Davison, 2002; Mayo, 2001; Nordhaug, 1998). Whereas little attention has been paid to human capital development at the individual level (Gratton & Ghoshal, 2003); seeking to explain what factors that drive employees to accept and enact (or not) the rhetoric.

The findings of the study have suggested that the interplay between perceived self-interest and perceived organizational support are key motivating factors underpinning their individual human capital development. Such an interplay results from how they make sense of, interpret the rhetoric, justify the need to act and choose actions in response to the rhetoric created by the firm and the senior managers. This draws on the ideas well established within the sensemaking concept (Weick, 2001). The sensemaking process lies in an assumption that the KFI (EU-Nordic) employees are constantly acting in situations, and their actions affect the situations they are in (Weick, 1979). As Weick (2001: 460) states: “when people engage in acts of sensemaking, it is more precise to think of them as accomplishing reality rather than discovering it.” The research evidence attempts to connect the espoused rhetoric of individual human capital with the enacted reality of practices by demonstrating that the real acts of sensemaking begin with cognitive needs and interests (Maslow, 1987). This involves KFI (EU-Nordic) employee’s perception being built up through the questions surrounding sensemaking efforts, such as “what are the implications of human capital for me?” and “how should I respond to them?” Then, it is found that they justify their overall personal reaction, either positively or negatively, toward espoused corporate strategy, structure and HR policies through the degree to which they feel engaged with the job (Haudan & Maclean, 2002) and committed to the firm (Shepherd & Mathews, 2000).

Thus far, it has been apparent in the findings that employees’ negative attitudes toward ambiguous human capital initiatives may diminish the importance of their human capital development. Some of their criticisms are echoed in the espoused rhetoric about monetary
benefits that the employees may gain from the firm if they develop their human capital. However, having explored the notions of employees’ needs and interests – or what drive them to accept the rhetoric of human capital, the author has found an interesting issue to argue this point put forward. That is, through the data, the monetary rewards are not a prime factor in motivating the employees to accept human capital, but rather professional development benefits (i.e., knowledge and career development) play an active role in driving employees’ needs and interests. This has been reflected in the works of Chatzkel (2003) and Robbins (2003), arguing that human capital can only be brought into play when employees’ intrinsic needs and interests are fulfilled in the first instance.

5.7 Chapter summary
This chapter has highlighted a number of major elements of human capital introduction, adoption and implementation within the case organization. The framework developed shows that the rhetoric and reality of human capital development is characterized by a dialectical process in which a wave of rhetoric is absorbed, interpreted and altered by employees. Hence, this follows an iterative process through the evolution of the practices. In other words, the process of adopting human capital follows an evolutionary path, in which the rhetoric is altered and re-interpreted over time. The present study argues that the promise of human capital at a symbolic level is not uniformly followed through by a translation of human capital as a technical intervention. Thus, the expectations of human capital are seen to be overblown by many employees. The lack of human capital measurement in light of its impact toward organizational performance is a contributory factor. Organizational capital, like corporate structure, serves as the key to creating an environment for human capital to be developed intellectually and socially.

It is evident that HR management of KFI (EU-Nordic) has become more strategic by linking HR practices to corporate vision, values and objectives (Gratton, 2000), but the HR management continues to mix hard and soft aspects (Storey, 1992). The tough love approach, considering human resources as measurable and dispensable assets, has not been entirely downplayed, yet it remains high on the agenda. In line with critical thinking, such an approach is accompanied by intensification of work and a wave of redundancies.
At the heart of acceptance or non-acceptance of the human capital rhetoric are the personal forces of employees. The psychological contract within KFI (EU-Nordic) has been developed and replaced with something that promises a great deal but subject to multiple audiences, some of whom are skeptical. The creation of greater job challenge and an increasing focus on the professional development have been used to drive acceptance of human capital, and the signs here are positive among employees.

One can see, in KFI (EU-Nordic)’s management of human capital, how the elements of human capital, social capital and structural capital have been leveraged (Rastogi, 2000; Stewart, 1997). With human capital, the promise to be an employer of choice is a key part of the rhetoric, followed by vision and values that express the importance of individual innovation and creativity to the effectiveness of the organization. The psychological contract aimed for is one in which employees feel valued and are encouraged to develop trust and commitment bonds with the company. The several HR practices, such as training and development, performance management and reward systems, are designed to ensure that skills, knowledge and behavior are changed in line with organizational interests, while recruitment efforts are stepped up and talent is sourced ever more assiduously. Social capital is developed through attempts to downplay the short-term focused and instrumental nature of the culture and to encourage longer-term thinking through developmental efforts on the part of managers toward employees. The matrix structure is intended to link individuals within and between functions, and efforts to manage knowledge are also pointing the way toward more communication and linkage around the firm. Structural capital resides in the matrix structure and in the changes to the culture which sees the freeing up of bureaucracy from management and employee work and also introducing greater flexibility in to the workplace.

The problems associated with each of these three types of capital have been addressed throughout the previous chapter. With human capital, the rhetoric has underplayed the variation in employees’ attitudes and profile, resulting in a “one-size-fits-all” approach that has alienated some individuals. Difficulties over the organizational identity (where Kelly Foods is a little known, in comparison to its brands) has resulted in reduced talent pools, and problems over employees’ ability to put into practice what they have learnt in training and development programs have contributed to a degree of skepticism within the organization. The development of social capital is hampered by the continued importance
of delivering short-term targets, which reinforces the instrumental nature of the relationships and promotes a lack of sociability within the firm (Goffee et al., 1998). The complexity of the matrix structure also hampers efforts to allow employees to exchange ideas across boundaries effectively. Evidence on employee diversity remains weak. The structural capital development is weakened by the legacy of the old culture continuing to be strong in the minds of many employees, particularly considering that this old culture will deliver large business success. The changes to the rewards and career systems have not yet been entirely embedded, so changing behaviors has been somewhat slow. Flexibility initiatives have been welcomed but still a long-hours culture permeates the organization.
Chapter 6  
Conclusions

“It is good to have an end to journey toward;  
but it is the journey that matters, in the end.”  
- Ursula K. Le Guin

6.1 Concluding remarks

This chapter presents a brief summary of the main findings and highlights both theoretical and managerial contributions of the study. The chapter concludes with limitations of the research and areas for future research.

The main objective of this study is to explore the interplay between espoused theory and theory-in-use in the development of human capital within an organization and to build theory in explaining how human capital becomes embedded (or not) within an organization.

Following an in-depth examination of a major organization’s attempt to develop and implement human capital principles, a number of findings and consequent themes emerged are compared with theory and through an iterative process, thus progress being made toward developing new theory in this area.

A problem with the issue of human capital is that much of the human capital literature is prescriptive in tone and managerial in intent, detailing broad descriptions as to how to develop human capital in an organization (Nordhaug, 1993). Detailed empirical studies are therefore required to be conducted to examine the micro-processes of human capital development. This research represents a more solid empirical grounding to move human capital theory forward. In this dissertation, three distinctive rhetorics are identified concerning strategy, structure and HR management which are used to develop and (potentially) embed human capital in an organization. These themes have strong echoes in the literature (e.g., Gratton, 2000; Gratton et al., 1999; Yarnall, 1998; Kamoche, 1995; Legge, 1995; Weick, 1995).
The findings of the study suggest that senior managers construct rhetoric that has to be absorbed by multiple audiences, and that in some cases a counter-rhetoric of human capital is formed. Employees, including middle managers, interpret human capital rhetoric, shape and alter it in their own interests. Ambiguity and ignorance over human capital is followed by pragmatic assessment and refinement on the part of employees, with the initial human capital program iteratively amended as it passes through the organization.

**Corporate strategic rhetoric**

- The senior managers at KFI (EU) initially use changes in corporate vision and values, together with human capital strategy, to frame the introduction of human capital. The findings have shown that this approach has been, in part, driven from both demand and supply perspectives. On the supply side (Zbaracki, 1998), human capital is seen by the senior managers as a potential approach to increasing the effectiveness of HR management, to increasing the innovativeness of organizational members and to the gaining of commitment. On the demand side (Dutton & Dukerich, 1991), employees has voiced to the management that the firm’s emphasis on “tough love” in terms of HR management (Price, 2003) creates a negative effect on job satisfaction, individual performance and morale.

- Although the inclusion of the title “employer of choice” in the espoused corporate value is intended to signal KFI (EU)’s human capital focus, employees struggle, in many cases, to make an interpretation of this title that is consistent with the intent of senior management. Confusion over, and ignorance of, the “employer of choice” and some other corporate values, such as “speed,” becomes apparent. This implies that having a particular corporate value statement in place will unnecessarily lead to a desired result, due to diverse interpretations of employees.

- Despite the rhetoric of human capital strategies (from Five Pillars to BOLDER) being perceived as impressively presented, some employees believe that in difficult circumstances, such as higher market competition, the organization would revert to the “tough love” regime of HR management. And human capital principles are likely to be abandoned.
Corporate structural rhetoric

- The rhetoric around corporate structure involves providing support to the strategic rhetoric by defining the broad enabling structures of the human capital program. Such a program is intended to free up knowledge and creativity, reduce boundaries within and between organizational units and promote a more collegiate style company culture. However, responses of employees are characterized by confusion over the complexity of the structural issues.

- There is a gap between the rhetoric of what KFI (EU-Nordic) attempts to accomplish in changes (i.e., matrix design, restructuring and downsizing) and the reality experienced by employees. These changes have caused employee’s frustration and a negative shift in employee’s attitude toward their human capital development, despite KFI (EU-Nordic)’s espoused focus on communication to help alleviate the problem. It is evident that, in a period of restructuring, the importance of employees’ job security overrides that of employees’ human capital development. For instance, employee’s frustration to balance their roles and responsibilities in the matrix structure may divert their intention away from a focus on developing their individual human capital. It is therefore important for KFI (EU-Nordic) to be aware of potential (negative) consequences that may occur from the downside of the matrix structure. This essentially highlights the extent to which the issues of restructuring and employment downsizing have an impact on human capital development in an organization.

- A corporate culture change at KFI (EU-Nordic) becomes a key concern for employees, thus affecting a way they perceive the notion of human capital development espoused by the firm. Despite the corporate cultural control strategy of the US parent (Jaeger, 1983) being employed at KFI (EU-Nordic), it is found that there is still a problem of the conflicting values and norms of the Nordic employees in KFI (EU-Nordic) against the parent company’s values. That is, some employees have had a negative feeling against the US parent’s business culture in a sense that its value of regular performance assessment is overriding the employee-oriented values of KFI (EU-Nordic). Moreover, there is a lack of appreciation of what the corporate cultural changes really mean, how sophisticated they are, and what the ultimate outcome will be of human capital. This is, in large part, due to a lack of full-blooded commitment.
among managers and employees about the changes, given the demands on the organization from its US parent.

**HR management rhetoric**

- There are substantial differences between the rhetoric of what the HR functions seek to achieve and the reality experienced by employees in the area of recruitment and selection, training and development, performance management and compensation and benefits. The tension between rhetoric and reality reflects much of what has been researched about HR functions (Legge, 1995). In the present study, the HR functions are designed to support the notion of human capital development within an organization, with a primary focus on attracting, developing and retaining a highly qualified and diverse workforce in alignment with the firm’s business strategies (Gratton et al., 1999; Schuler, 1992). It is evident from the data that recruiting the right people, developing them through training programs and retaining them with compensation and recognition schemes are the central features of human capital development (i.e., knowledge, skills and abilities (Youndt et al., 2004)).

- Although recruitment and selection are central parts of the drive for human capital, the context of the downsizing initiative means that this activity is compromised. The promise that KFI (EU-Nordic) will be an employer of choice therefore rings hollow for a number of employees. The identity of the firm, considered vital for the sustainability of success of the organization (Gioia & Thomas, 1996), is seen by many employees to be hidden behind individual brand identities. There are however few success stories over recruitment to spread the message of human capital.

- In training and development, the quality of the programs and the follow-up monitoring do produce some success stories, particularly over senior managers who are seen to be softening their previously tight love stance. Regarding the hard performance data to be measured, however, there is none, since the human capital introduction has not been designed to include such metrics.

- In considerations of performance management and reward systems, changes to the goals and competency frameworks help to embed a sense of purpose about the human
capital program. In spite of this, competing values and priorities among managers and employees mean that, for many, they retreat back to habitual ways of working.

- Since there is clear variation among employees in the acceptance of the HR practices as part of the human capital program, gaining organizational legitimacy for the human capital program seems to be a difficult problem. Satisfaction with the HR practices is relatively high throughout, although there are issues of whether the learning (from training programs, for example) can be transferred to the workplace, whether there are any observable results that stem from the introduction of human capital principles, and whether employees’ interpretations and experiences toward HR functions will affect their attitudes toward human capital development. At this stage, employees are generally well informed of the rhetoric of the human capital concepts and, to some extent, put those concepts into practice. There is however an opposing effect which is manifest through employees believing that the presentations and information surrounding human capital is merely hype and an example of a superficial and transitory phenomenon. Human capital therefore becomes perceived, by some employees, as an overlay to work, rather than an integral part of it, which cause suspicion and resentment.

Regarding an investigation of how employees make sense of and interpret the rhetoric of human capital development, it is found that employees, including middle managers, are willing to embrace the rhetoric of the human capital programs and turn them into actions based on a combination of two primary aspects: cognition and motivation. First, employees’ cognition reflects how employees’ perception and interpretation may influence potential actions to be undertaken (Thompson et al., 1999). Second, employees’ motivation is concerned with how employees’ personal attitude may drive any potential actions to be undertaken (Holbeche, 1998). It is also evident that they embrace rhetoric on the basis of perceived self-interest (i.e., professional development benefits) and perceived organizational support (some employees interviewed who experience a strong supportive organizational context feel obliged to reciprocate favorable organizational treatment with attitudes and behaviors that in turn benefit the firm). These underlie their justification of how they are likely to act upon, both positively and negatively, the rhetoric of human capital development espoused by the firm and senior managers (Gioia & Thomas, 1996).
Taken all together, a reasonable conclusion can be drawn that a close examination of the three critical constructs in light of multiple interpretations of organizational members is necessary to determine whether human capital is (or not) embedded within an organization. This conclusion has been grounded in the analysis of the rich data derived from a number of informants, both managerial and non-managerial levels, who directly involve in the process of human capital development.

6.2 Theoretical contributions

This research contributes to the existing body of knowledge in four respects.

- **First**, the study responds to calls by a number of scholars for greater empirical scrutiny of human capital initiatives in the workplace (e.g., Crutchfield, 2000; Delery & Doty, 1996; Nordhaug, 1993). Examining the micro-processes of human capital through an exploratory, qualitative approach has yielded rich data on how human capital plays out within an organization. A detailed picture of how human capital is designed, implemented and absorbed can be drawn, by focusing on in-depth reports by senior managers who have designed human capital initiatives and employees (including middle managers) who have been recipients of the human capital initiatives.

- **Second**, extending the works of Gratton et al. (1999) and Legge (1995), the study has focused on explaining how rhetoric and reality of human capital are intertwined by seeking to move beyond traditional explanations of a gap between the two, which emphasize failures of design, communication or cost. In this dissertation, the gap between rhetoric and reality emerges because of the inherent issues within both the rhetorics surrounding human capital development and the sensemaking activity of employees (Zbaracki, 1998; Weick, 1995). The study builds on these insights to develop a framework in which these issues are integrated. The framework is viewed through the lens of a number of key dimensions: *corporate strategic rhetoric* – marked by a strategic context of creating vision and value and a sense of corporate purposes in human capital development; *corporate structural rhetoric* – marked by designing an engaging structure to support the process of human capital development; *HR management rhetoric* – marked by HR functions, with an emphasis on areas of recruitment and selection, training and development, performance management and compensation and benefits, in developing employees’ human capital. These three
dimensions are underpinned by the sensemaking activity of individuals, which highlights the individuality in determining the adoption and practicability of human capital development. Their interconnectedness has contributed to a better understanding of how employees makes sense of, interpret and justify potential actions toward the espousal of the policy of human capital development within an organization.

- **Third**, following Zbaracki (1998), the study has broadened theory of human capital, by highlighting the fact that human capital development is an outcome of an iterative interaction between many levels of employees. This stands in contrast to major prescriptive statements in the field, which hold that large-scale change initiatives are determined solely by senior management (Pfau & Kay, 2002). That is, as the rhetoric passes through the organization, employees absorb, filter, refine and amend it in their own interests, and the rhetoric is transformed in a reality that reflects these changes.

- **Fourth**, though the principles of human capital are held to be a universal good, particularly by the prescriptive literature, and by the case organization's senior management, there is strong evidence to suggest that many middle managers and employees view human capital as a heightened form of control. In line with a number of critical HR management scholars (Legge, 1995; Townley, 1993), the study has shown that human capital initiatives bring intensification of work and a greater uncertainty over job security, particularly in light of the concurrent downsizing program.

### 6.3 Managerial contributions

This research can be interest to managers in three principal ways.

- **First**, the study has strong implications for management practice. Some of the difficulties with human capital in the case organization do rest on problems of the rhetoric over-promising, therefore being unable to deliver. It is also viewed by employees as unrealistic. The important factors contributing to a failure in delivering the human capital message are: (i) a lack of clarity of human capital strategies and their outcomes; (ii) a lack of effective training on human capital issues; and (iii) insufficient time and incentive for organizational members to devote themselves to
human capital development. A problem of communications, too, should be of senior managers’ concern when the organizational rhetoric is transmitted to multiple audiences with different profile and attitude (i.e., middle managers and employees).

- **Second**, a framework of human capital development developed provides policy makers and senior managers with greater insights into the gap between “management’s intention” and “practical implementations” in the context of human capital development. The evidence presented here has suggested that having a set of human capital policies in place does not necessarily lead to successful implementation across the organization. Also, this framework maps out the key issues, notably corporate strategy, corporate structure, HR management and individual sensemaking that the managers should take into account seriously and engage in lessening that gap. For example, despite the espousal of the matrix structure management, the data have shown that employees have difficulties in exercising autonomy and flexibility in an environment where bureaucratic practices within the organization are growing. Because of this, they feel de-motivated and, somehow reluctant, to put more efforts into developing their human capital. Therefore, it is believed that this framework of human capital development will broaden the managers’ perspectives toward an effective way to craft appropriate human capital strategies that support overall business objectives.

- **Third**, this study has suggested that managers should be more concerned about how to develop employees’ human capital. One of the main issues is that the managers are unable to clearly see the importance of human capital development when market and economic pressures are prevalent. It has much consumed the attention of the managers by excessively focusing on short-term results (i.e., financial returns), which are delivered at the expense of long-term value creation in individuals. For this reason, the author believes that if the organization expects to improve its ability to build competitive advantage, it needs to pay more attention to long-term human capital development. This suggestion is in line with the work of Gratton (2004), claiming that the real value of talented people in an enterprise cannot be overlooked and taken for granted because it is the only real asset of the firm that can produce long-term competitiveness.
6.4 Limitations and future research

Limitations on time and space prevented the author from exploring all aspects relevant to the present study. It does, however, draw attention to the following areas of research, which the author briefly describes here but leaves for future study.

- Single case studies, if they provide rich in-depth data and findings are constantly compared with theory, are as strong and appropriate method as any other (Yin, 1994; Eisenhardt, 1989). However, extending this work to investigate similarities and/or differences of various approaches in developing human capital within other organizations would be valuable. Such a comparative study is likely to add to the richness of data and throw up variances in context that may affect how the rhetoric of human capital is absorbed within the organization.

- This study experiences some issues over sampling for interviews. Employees at the operational level (e.g., frontline workers and lower-management employees) have time schedule constraints and language barriers (i.e., most of them have the limited level of English proficiency in communication). Therefore, the study has not got as many of these individuals as it would have liked. However, this limitation may be offset in part by the richness of the data collected from various sources to draw a scope of the findings. That is, by following the suggestions of Miles & Huberman (1994) and Yin (1994), the findings of the study have demonstrated relatively high validity through data and methodological triangulations. For example, key informants of the study are those employees working across job functions, both managerial and non-managerial levels, who directly involve in the process of human capital development. Also, different sources of information, such as focus groups, interviews and documentations, do allow the author to tap into diverse aspects of human capital development in a large organization.

- In terms of the methodological limitations of this study, it is noted that the interviews and questionnaires are administered at a single point in time due to resource constraints. This static approach makes it difficult to examine whether the empirical framework of human capital development within an organization is applicable over time. For this reason, further studies that embrace a longitudinal perspective will be in a position to explore a more comprehensive view of how individual human capital and
its relationship with strategy, corporate structure and HR systems develop and change over time. A follow-up study of this specific case organization can also help determine the impact of the application of the human capital development protocol after a period of time. However, at a time of conducting this research, the author is unable to gain access to KFI (EU-Nordic) after their announcement of a new global corporate restructuring move. It is suggested that, by following the recommendations of Pettigrew et al. (2001), future research on a post-restructuring study in human capital development perspectives is deemed appropriate to trace changes and explain continuity, particularly in relation to human capital strategies and practices.
Endnotes

Note 2.1 - Lengnick-Hall & Lengnick-Hall (1988) have identified the rationale behind the integration between business strategy and HRM:
   a) ensuring that all resources (human, technical and financial) are given due consideration in setting goals and assessing implementation capabilities;
   b) providing a broader range of solutions for solving complex organizational problems;
   c) limiting the subordination of strategy considerations to HR preferences and the neglect of HRs as a vital source of organizational competence and competitive advantage.

Note 2.2 - Budhwar & Sparrow (1997) have provided the rationale for devolvement as follows:
   a) it can result in better motivation of employees and more effective control, as line managers are in constant contact with employees;
   b) local managers are able to respond more quickly to local problems and conditions;
   c) certain issues are too complex for top management to comprehend;
   d) it can help to reduce costs;
   e) it can help to prepare future managers (by allowing middle managers to practice decision making skills).

Note 2.3 - Engagement is the willingness to serve both, often through the exertion of additional discretionary effort or energy, and doing so through collaborative effort and sharing (Haudan & Maclean, 2002).

Note 2.4 - Commitment is the relative strength of an individual’s identification with and involvement in a specific organization. In particular, commitment is characterized by three factors: a strong belief in and an acceptance of the organization’s goals and values; a willingness to exert considerable effort on behalf of the organization; and a strong desire to maintain membership in the organization (Mowday et al., 1979). Swailes (2002) suggests that there are four bases of organizational commitment. That is, some stay because they believe in the goals of the firm (attitudinal), and/or they need to secure financial stability (continuance), and/or they feel obliged to duty and responsibility (normative), and/or they bind their particular actions/behaviors, such as personal efforts invested in training, with the firm (behavioral).

Note 2.5 - Hampden-Turner & Trompenaars (1993) examine the relationships among social, behavioral and attitudinal systems of the countries studied through seven dilemmas: universalism vs particularism, analysis vs integration, individualism vs communitarianism, inner directions vs outer directions, status by achievement vs status by ascription, equality vs hierarchy and time as sequence vs. synchronized view of time. Whereas Hofstede (1980) provides five cross-cultural dimensions: individualism vs collectivism, power distance, uncertainty avoidance and masculinity-feminity.

Note 2.6 - Pfau & Kay (2002: xvi) survey more than 750 publicly traded companies in the United States, Canada, and Europe with at least three years of shareholder returns and a minimum of US$100 million in revenues or market value. Among the participants: Microsoft, Shell Oil, American Express, Archer-Daniels-Midland, Bank One Corporation,
Ericsson, Gap Inc., Hallmark, IBM, Nokia, Cisco Systems, General Motors, Merrill Lynch, Sara Lee Corporation, Kmart, Rolls Royce and Textron. They ask respondents (usually the senior-ranking HR executives) how they carry out their human capital practices, particularly in the areas of recruiting, rewards, benefits, culture, HR service technology and communications.

**Note 3.1** - The process-oriented study focuses on how something happens rather than or in addition to, examining outputs and outcomes. In this project, one goal is to understand how organizational members feel about and act upon corporate interventions on what has happened is given as much attention as the results achieved (Patton, 2002).

**Note 3.2** - HR/MOD refers to the department of Human Resource and Management Organization Development in KFI (EU).

**Note 3.3** - KFI (EU) comprises Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, the Nordic region, Portugal, Spain, Switzerland and United Kingdom.

**Note 4.1** - The STAR project is designed to consolidate the infrastructure of the shared data business systems, such as finance, sales, logistics and productions, into a standardized model to be deployed throughout KFI (EU). This Project is intended to reinforce corporate values in a way such that the integrated business model enables the firm to serve customers faster, better and more efficiently. Also, it provides the managers a powerful tool to trace redundancy of resource allocation within the business value chain.
References


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B


Appendices
Appendix A: List of interviewees

<table>
<thead>
<tr>
<th>Countries</th>
<th>Directors</th>
<th>Managers</th>
<th>Direct reports</th>
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<tbody>
<tr>
<td>Denmark</td>
<td>• HR Director</td>
<td>• Client Account Manager</td>
<td>• Information Technology Site Coordinator</td>
</tr>
<tr>
<td></td>
<td>• Client Service Manager</td>
<td>• Customer Service Manager</td>
<td>• Project Engineer</td>
</tr>
<tr>
<td></td>
<td>• Information Technology Site Coordinator</td>
<td>• Direct reports</td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>• HR Director</td>
<td>• HR Manager (Operations)</td>
<td>• Planning Coordinator</td>
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<tr>
<td></td>
<td>• Marketing Director</td>
<td>• Section Manager</td>
<td>• Computer Coordinator</td>
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<td></td>
<td>• Financial Director</td>
<td>• Corporate Affairs Manager</td>
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<td></td>
<td>• HR Manager (Operations)</td>
<td>• Demand Planning &amp; Replenishment Manager</td>
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<tr>
<td></td>
<td>• Conversion Manager</td>
<td>• Research &amp; Development Program Leader</td>
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<td></td>
<td>• Plant Controlling Manager</td>
<td>• Plant Controlling Manager</td>
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<tr>
<td></td>
<td>• Quality Assurance Manager</td>
<td>• Corporate Affairs Manager</td>
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<td></td>
<td>• Plant Manager</td>
<td>• Direct reports</td>
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</tr>
<tr>
<td>Sweden</td>
<td>• HR Director</td>
<td>• HR Manager (Business Unit)</td>
<td>• Assistant Group Brand Manager</td>
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<td></td>
<td>• Category Director</td>
<td>• HR Manager (Operations)</td>
<td>• Inventory Planner</td>
</tr>
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<td></td>
<td>• Operations Controlling Director</td>
<td>• Overhead Controlling Manager</td>
<td>• HR Officer</td>
</tr>
<tr>
<td></td>
<td>• HR Manager (Business Unit)</td>
<td>• Marketing Manager</td>
<td>• Assistant Research &amp; Development Manager</td>
</tr>
<tr>
<td></td>
<td>• Logistics &amp; Operations Project Manager</td>
<td>• Logistics &amp; Operations Project Manager</td>
<td>• HR/Compensation and Benefits Analyst</td>
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<td></td>
<td>• Maintenance Manager</td>
<td>• Demand Planning &amp; Replenishment Manager</td>
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<tr>
<td></td>
<td>• Information Systems Manager - HR Systems</td>
<td>• Information Systems Manager - HR Systems</td>
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<tr>
<td></td>
<td>• Customer Marketing Manager</td>
<td>• Demand Planning &amp; Replenishment Manager</td>
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<td></td>
<td>• Client Marketing Manager</td>
<td>• Project Manager</td>
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<td></td>
<td>• Sales Manager</td>
<td>• Direct reports</td>
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<tr>
<td>UK</td>
<td>• HR Director (KFI (EU))</td>
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<tr>
<td></td>
<td>• External Consultant</td>
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Source: The author
# Appendix B: Propositions of strategic human capital accumulation perspectives

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Theoretical propositions</th>
<th>Prescriptions for managing HR</th>
</tr>
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<tbody>
<tr>
<td><strong>Value</strong></td>
<td>Knowledge-based resources (human capital) are valuable in terms of achieving and sustaining competitive advantage.</td>
<td>Create a learning culture where knowledge creation and action can flourish.</td>
</tr>
<tr>
<td><strong>Rareness</strong></td>
<td>Core competencies are valuable, rare and difficult to develop.</td>
<td>Core competencies embedded within a given philosophy and organization culture.</td>
</tr>
<tr>
<td><strong>Inimitability</strong></td>
<td>Core competencies developed internally are difficult for competitors to imitate.</td>
<td>Continuous investment in training education and development strategies to keep ahead of competitors.</td>
</tr>
<tr>
<td><strong>Ownership</strong></td>
<td>Employees own their human capital and are free to use it as they wish.</td>
<td>Employees invest through learning processes, experience, project work and a range of career enhancing strategies to be more employable.</td>
</tr>
<tr>
<td><strong>Transferability</strong></td>
<td>Firms seek to protect the transfer of human capital utilizing a range of strategies.</td>
<td>Firms utilize bonding mechanisms to bind employees to the organization.</td>
</tr>
<tr>
<td><strong>Generic competencies</strong></td>
<td>Employees incur the costs of investing in generic competencies.</td>
<td>This includes a range of competency enhancement strategies, networking, impression management and experience.</td>
</tr>
<tr>
<td><strong>Firm-specific competencies</strong></td>
<td>Firms incur the costs of investments in firm-specific competencies.</td>
<td>Invest in basic training, continuing professional development activities and post-experience education programs, project learning and planned job experience.</td>
</tr>
</tbody>
</table>

Source: Garavan *et al.* (2001: 55)
### Appendix C: Common misconceptions about HR practices, research findings and implications

<table>
<thead>
<tr>
<th>Research-inconsistent Beliefs</th>
<th>What research shows</th>
<th>Ways to implement research findings</th>
</tr>
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<tbody>
<tr>
<td>1) Conscientiousness is a better predictor of employee performance.</td>
<td>The average validity coefficient is .51 for intelligence, .31 for conscientiousness. They are both important predictors of performance, but intelligence is relatively more important. At the very lowest levels of job complexity (unskilled work), their importance is about equal. However, as jobs increase in complexity, intelligence becomes more and more important.</td>
<td>Select new employees on both intelligence (general mental ability – GMA) and conscientiousness. Well-validated measures of both constructs are available. In addition to pencil-and-paper tests, GMA can also be assessed through job-knowledge tests, work samples, or simulation interview questions.</td>
</tr>
<tr>
<td>2) Companies that screen job applicants for values have higher performance than those that screen for intelligence.</td>
<td>Intelligence is the best single predictor of performance. Although value fit does predict employee satisfaction and retention, little evidence exists of a direct link to performance. Even if a link is shown some time in the future, it is unlikely to approach the magnitude of the effect size for intelligence.</td>
<td>Even if you are interested in people’s values, assess GMA and conscientiousness first. Define what values are important to you. Then, assess them through procedures such as behavioral description interviews or accomplishment records to see whether people actually behave in ways consistent with the desired values. Consider which personality constructs are likely to reflect the values you want; then measure personality using well-validated instruments.</td>
</tr>
<tr>
<td>3) Integrity tests don’t work well in practice because so many people lie on them.</td>
<td>People try to make themselves look a little more ethical than they actually are. This does not seem to affect the usefulness of these tests as predictors of performance.</td>
<td>Integrity tests can be used in combination with ability tests to yield very high overall predictability of job performance.</td>
</tr>
<tr>
<td>4) Integrity tests have adverse impact on racial minorities.</td>
<td>Racial and ethnic differences on integrity test scores are trivial. Hispanics have been found to score .14 standard deviations higher than whites; Asians, .04 standard deviations higher; Native Americans, .08 standard deviations higher, and African-Americans, .04 lower.</td>
<td>Combining integrity tests with tests of GMA may reduce the amount of adverse impact overall selection systems because minorities and whites have nearly equivalent scores on integrity tests.</td>
</tr>
<tr>
<td>5) Encouraging employees to participate in decision making is more effective for improving organizational performance than setting performance goals.</td>
<td>On average, performance improves 16 percent when goal-setting is implemented. The average effect from employee participation is &lt; 1 percent. Participation can produce both positive and negative outcomes. Employees must have a clear picture of what they are participating for – that is, what they are trying to achieve – in order for participation to be successful.</td>
<td>Develop goals that are inspiring, challenging, and that stretch people’s capabilities. Once goals are clearly communicated and accepted, enlist broad participation, and do not shut down ideas. Support participation and goal attainment through the reward system, such as with gain sharing or other group incentive programs.</td>
</tr>
<tr>
<td>6) Most errors in performance appraisal can be eliminated by providing training that describes the kinds of errors managers lead to make and suggesting ways to avoid them.</td>
<td>Performance-appraisal errors are extremely difficult to eliminate. Training to eliminate certain types of errors often introduces other types of errors and sometimes even decreases accuracy. The most common appraisal error is leniency, and managers often realize they are committing it. More training is insufficient to eliminate these kinds of errors; more systemic action is required such as intensive monitoring or forced rankings.</td>
<td>Training, practices, and feedback about how to avoid appraisal errors are necessary, but insufficient, for eliminating errors. Eliminating errors may require alternative approaches to evaluation, such as forced distribution (e.g., General Electric). Top managers should serve as strong role models for the performance evaluation process and attach managerial consequences to the quality of performance reviews.</td>
</tr>
<tr>
<td>7) If employees are asked how important pay is to them, they are likely to overestimate its true importance.</td>
<td>People tend to underestimate the importance of pay to their decisions due to social desirability consideration and lack of self-insight. Research that examines people’s behaviors in response to pay (rather than their attitudes) tends to show very strong motivational effects.</td>
<td>Recognize that employee attitude surveys are subject to a variety of cognitive biases, such as social desirability and lack of self-insight. Wherever possible, study employee behaviors in addition to attitudes; the two will not always converge.</td>
</tr>
</tbody>
</table>

Source: Rynes et al. (2002: 95-96)
### Appendix D: Selected studies on HR and organizational performance linkage

<table>
<thead>
<tr>
<th>Studies</th>
<th>Human resource practices</th>
<th>Effectiveness measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Katz <em>et al.</em> (1985)</td>
<td>Transformational labor relations</td>
<td>Productivity, product quality</td>
</tr>
<tr>
<td>Cutcher-Gershonfeld (1991)</td>
<td>Transformational labor relations</td>
<td>Productivity, product quality</td>
</tr>
<tr>
<td>Sheridan (1992)</td>
<td>Organizational culture</td>
<td>Productivity</td>
</tr>
<tr>
<td>Bartel (1994)</td>
<td>Training</td>
<td>Productivity</td>
</tr>
<tr>
<td>Gerhart &amp; Milkovich (1990)</td>
<td>Incentive compensation</td>
<td>Productivity</td>
</tr>
<tr>
<td>Weitzman &amp; Kruse (1990)</td>
<td>Incentive compensation</td>
<td>Productivity</td>
</tr>
<tr>
<td>Terpstra &amp; Rozell (1993)</td>
<td>Recruitment and selection</td>
<td>Profitability</td>
</tr>
<tr>
<td>Arthur (1992)</td>
<td>Range of HR practices</td>
<td>Reduced turnover, higher productivity</td>
</tr>
<tr>
<td>Ichnioski <em>et al.</em> (1994)</td>
<td>Range of HR practices</td>
<td>Productivity</td>
</tr>
<tr>
<td>MacDuffie (1995)</td>
<td>Range of HR practices</td>
<td>Productivity</td>
</tr>
<tr>
<td>Huselid &amp; Becker (1995)</td>
<td>Range of HR practices</td>
<td>Reduced turnover, higher productivity</td>
</tr>
<tr>
<td>Youndt <em>et al.</em> (1996)</td>
<td>Range of HR practices</td>
<td>Productivity, enhanced quality</td>
</tr>
<tr>
<td>Patterson <em>et al.</em> (1997)</td>
<td>Range of HR practices</td>
<td>Indirect, via commitment</td>
</tr>
<tr>
<td>Guest <em>et al.</em> (2000)</td>
<td>Range of HR practices</td>
<td>Indirect, via commitment</td>
</tr>
</tbody>
</table>

Appendix E: KFI (EU-Nordic) questionnaires

[Cover letter]

Dear sir/madam,

During the last couple of years we have been increasingly taking part in KFI (EU) initiatives building human capital, as well as Nordic programs supporting the KFI (EU) strategies. Examples of these programs are LMCI, MAP, Coaching and Situational Leadership.

In order to understand the effectiveness of these programs and highlight the areas needed for improvement, this survey will help us to evaluate the KFI (EU-Nordic) initiatives that foster the engagement and commitment of the employees to the firm. The survey is conducted as part of the research project by Somboon Kulvisaechana from the University of Cambridge. This survey focuses on a slightly different perspective from the Employee Survey 2003. It attempts to measure the extent to which KFI (EU-Nordic) has leveraged its human resources, particularly through training initiatives.

Specifically, the main objective is to identify the key enablers/disablers of the Training/MOD activities of KFI (EU) implemented in the Nordic region and designed to support the EU HR strategies in creating/developing the human capital organization.

The survey will take approximately 10-12 minutes to complete. Any information provided will be kept strictly confidential. Your participation is highly regarded as significant contributions to the project as well as to the company as a whole. We hope that you will be able to take part.

Thank you very much for your kind attention and help. Should you have any queries, please do not hesitate to contact us at sk335@cam.ac.uk

Sincerely,

HR/MOD Director (Nordic)
A sample of questionnaires (for managers)

Instruction: Mark ‘X’ in one of the corresponding boxes

(Scales: SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree and SA = Strongly Agree)

<table>
<thead>
<tr>
<th>Statements</th>
<th>Response Scales</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) I believe Kelly is an “employer of choice.”</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2) We have highly talented people in our key management positions.</td>
<td></td>
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<tr>
<td>3) Kelly has enough talented managers to pursue all or most of its promising business opportunities.</td>
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<tr>
<td>4) I believe we recruit the right people to make Kelly successful.</td>
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<tr>
<td>5) I believe that Kelly retains its most talented employees.</td>
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<tr>
<td>6) The leadership training at Kelly has enabled me to lead employees more effectively.</td>
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<tr>
<td>7) I believe that a key leadership role is to help subordinates to become their own managers.</td>
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<tr>
<td>8) I feel that a higher level of the leadership training is needed to cope with the challenges we are facing in Kelly.</td>
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<tr>
<td>9) My rewards are fair in relation to my contribution.</td>
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</tr>
<tr>
<td>10) I feel that I can manage my functional roles effectively while working on particular projects across departments.</td>
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<tr>
<td>11) I highly value new ideas for improving an existing business process, technology, product or service.</td>
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<tr>
<td>12) I believe that Kelly’s training has broadened my knowledge and business competencies essential to meet the challenges facing the organization.</td>
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<tr>
<td>13) I am able to delegate a clear role and responsibility in change management to my employees.</td>
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<tr>
<td>14) I believe that Kelly’s employee development plan has a positive impact on my performance.</td>
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<tr>
<td>15) Training initiatives at Kelly have encouraged me to develop more innovative and creative approaches to carry out my work.</td>
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<tr>
<td>16) The training programs at Kelly provide me with the skills needed to do a number of different jobs well.</td>
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<tr>
<td>17) The training programs at Kelly equip me with new tools and techniques to help solve problems effectively.</td>
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<tr>
<td>18) I do all I can to help my employees maintain a healthy work-life balance.</td>
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<td></td>
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<tr>
<td>19) I believe that there is not enough diversity within Kelly in terms of ethnic background.</td>
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<td></td>
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<tr>
<td>20) I believe that there is not enough diversity within Kelly in terms of gender.</td>
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</tr>
<tr>
<td>21) My performance at work is accurately assessed.</td>
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<tr>
<td>22) I believe that my improved performance is an indicator of how effective the training I receive is.</td>
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<td></td>
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</tr>
</tbody>
</table>
23) My rewards are directly linked to how well I perform in managing people.

24) Kelly develops people’s knowledge and skills to deliver the higher quality of products and services.

25) I always share my best knowledge and information about work between departments and work groups.

26) The company’s structure allows me to share my knowledge with work groups.

27) For me, Kelly is the best of all possible organizations to work for.

28) I feel loyalty to Kelly.

29) I feel proud to tell people I work for Kelly.

30) I share many of the organization’s values.

31) I feel that the quality of Kelly products and services over the past 2 years is better than that of other organizations in the same industry.

32) I feel that the development of new products and services at Kelly over the past 2 years is better than that of other organizations in the same industry.

33) I feel that Kelly has been better able to attract essential employees over the past 2 years than other organizations in the same industry.

34) I feel that Kelly has been better able to retain essential employees over the past 2 years than other organizations in the same industry.

35) I believe that Kelly performance in terms of profitability growth in the past 2 years has been better than other organizations in the same industry.

Are you willing to participate in the phone interview as part of the study?  Yes / No

How long have you worked for Kelly? (Mark ‘X’ in the corresponding box)

<table>
<thead>
<tr>
<th>Less than 1 year</th>
<th>1 year - less than 3 years</th>
<th>3 years - less than 6 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 years - less than 9 years</td>
<td>More than 9 years</td>
<td></td>
</tr>
</tbody>
</table>

Name/Last name:

Job title:

Department:

Office phone number:

Cell phone number:

E-mail address:

Thank you very much for your time and contributions
A sample of questionnaires (for direct reports)

Instruction: Mark ‘X’ in one of the corresponding boxes

(Scales: SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree and SA = Strongly Agree)

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</tr>
<tr>
<td>7) My managers allow me to make decisions about work.</td>
<td></td>
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35) I believe that Kelly performance in terms of profitability growth in the past 2 years has been better than other organizations in the same industry.

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How long have you worked for Kelly? (Mark ‘X’ in the corresponding box)

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</thead>
<tbody>
<tr>
<td>6 years - less than 9 years</td>
<td>More than 9 years</td>
<td></td>
</tr>
</tbody>
</table>

Name/Last name:

Job title:

Department:

Office phone number:

Cell phone number:

E-mail address:

Thank you very much for your time and contributions
Appendix F: Interview schedule

The Rhetoric and Reality of Developing Human Capital in the Organization: A Case Study

Interviewee’s name:
Position held:
Organization:
Department/Division:
Office location:
Service year(s):
Date of interview:

All information will be kept with utmost confidentiality and merely utilized for this particular research purpose.

Introduction

• Introduce self to the interviewee
• Organization’s involvement
• Purpose of the project
• Topics to be covered
• Format of the interview
• Approximate time to be taken
• Permission for tape recording and note taking
• Confidentiality
Interview questions

*Below are the interview questions asked of all interviewees where appropriate.*

1. How do you understand the meaning of “human capital” used in your organization?

2. How does your organization make an effort to develop human capital?

3. What are the key factors/building blocks that enable/disable your organization to become the “employer of choice”?

4. What are the key characteristics of the KFI (EU-Nordic) culture?

5. Through which organizational activities does your company support to develop human capital?

6. What are your key concerns of human capital development in relation to organizational aspects?

7. How do you maintain your employee’s work-life balance?

8. What are your key concerns or problems of working in the matrix structure of KFI (EU-Nordic)?

9. In a matrix organization, how do you balance responsibilities of the functional work and project work?

10. To which extent does the matrix organization enable you to exchange knowledge with diverse workgroups?

11. What are the factors that can make you feel more engaged with the work and committed to the organization?

12. What are the key factors influencing/motivating you to adopt the ideas learnt from corporate initiatives or activities and put them into practice?

13. What are the benefits that you expect in return from your contributions to the firm?

14. Do you have any final remark to make for the study or other additional issues?
## Appendix G: Key milestones of KFI (EU-Nordic)

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1853</td>
<td>Victor Theodore Eatwell starts a colonial products company, later to become Genavia.</td>
</tr>
<tr>
<td>1885</td>
<td>Ferdinando Anderson starts a coffee wholesale company in Denmark that will later become the origin of Kalat coffee.</td>
</tr>
<tr>
<td>1898</td>
<td>A/S Frada is established in Rodeløkka, Norway, where Johannes Throne Holstra has produced chocolate since 1892.</td>
</tr>
<tr>
<td>1916</td>
<td>AB Malibu is founded in Sundbyberg, Sweden by A/S Frada.</td>
</tr>
<tr>
<td>1946</td>
<td>Estroya is established in Alingsås, Sweden.</td>
</tr>
<tr>
<td>1956</td>
<td>Kelly enters the Danish market by acquiring Peter Jensen A/S, Øst en Gros.</td>
</tr>
<tr>
<td>1963</td>
<td>Specific Foods gets a presence in Sweden.</td>
</tr>
<tr>
<td>1965</td>
<td>Malibu buys Estroya together with Peter Milky Co.</td>
</tr>
<tr>
<td>1971</td>
<td>Specific Foods buys Genavia.</td>
</tr>
<tr>
<td>1973</td>
<td>Specific Foods gets a presence in Denmark.</td>
</tr>
<tr>
<td>1982</td>
<td>Frada, Malibu and Estroya buy A/S Marauy.</td>
</tr>
<tr>
<td>1985</td>
<td>Precision Foods Corp. becomes a part of PM Companies Inc.</td>
</tr>
<tr>
<td>1988</td>
<td>Kelly Inc. becomes a part of PM Companies Inc.</td>
</tr>
<tr>
<td>1990</td>
<td>Kelly Frada Malibu acquires 50% of Triffel’s chips production and creates Dansk Estroya A/S.</td>
</tr>
<tr>
<td>1990</td>
<td>Frada acquires the outstanding shares in A/S Malibu and the Frada-Malibu Group is created.</td>
</tr>
<tr>
<td>1992</td>
<td>Kelly Frada Malibu acquires the remaining 50% of Triffel’s chips production and the first chips products are launched by Estroya in Denmark.</td>
</tr>
<tr>
<td>1993</td>
<td>Kelly Precision Foods acquires all shares in Frada-Malibu.</td>
</tr>
<tr>
<td>2000</td>
<td>Kelly Foods in the Nordic countries is organized as a Nordic operating company.</td>
</tr>
<tr>
<td>2004</td>
<td>Kelly Foods Inc. announces a global corporate restructuring plan.</td>
</tr>
</tbody>
</table>

Source: KFI (EU-Nordic) profile
Appendix H: Corporate vision and values of Kelly Foods Inc.

Kelly’s vision is to be widely recognized as the undisputed leader of the global food industry.

It means to be:

- the first choice of our customers
- an indispensable partner to our retailers and other customers
- the most desired partner for strategic alliances
- the employer of choice in our industry
- a responsible citizen in our communities
- a consistent producer of industry-leading financial performance and returns for our investors

Six core values serve as our guiding principles, the inner beliefs that define how we operate:

- **Focus** – We will focus on what matters most to consumers, and what’s most important for building our people, our brands and our business.

- **Innovation** – We will be a company built on ideas – for satisfying consumers, serving customers and managing our business better than competition.

- **Passion** – We will bring a passion to win to everything we do, with a confidence to set high goals and an uncompromising drive to achieve them.

- **Speed** – We will move quickly and with appropriate discipline to keep us ahead of the competition.

- **Trust** – We will act with integrity, respect and responsibility, knowing that trust is the foundation of all our relationships.

- **Teamwork** – We will leverage the power of working together across functions and business units around the world.

### Appendix I: KFI (EU) human capital strategy: Action plan 2002/3

<table>
<thead>
<tr>
<th>HC strategy elements</th>
<th>Critical success factors</th>
<th>Stretch goals</th>
<th>Activities and tasks</th>
</tr>
</thead>
</table>
| **Leadership**       | - Human capital is at the heart of the company strategy.  
- Kelly work environment is recognized as open, innovative and stimulating. | - Parent company survey shows significant improvement in people management, professional development and openness.  
- Senior managers demonstrate high levels of commitment and engagement.  
- Benchmarking studies show Kelly leadership practices as among the best. | - Profile business and leadership competencies.  
- Get buy in from KFI management.  
- Align HR processes to support and track progress (i.e., MAP, Advancement planning, training, coaching, reward systems and 360-degree tools). |
| **Development**      | - Human capital is at the heart of the company strategy.  
- Management and organization development process and programs are streamlined and effective. | - KFI (EU) survey shows significant improvement in people management, professional development and openness.  
- Our leaders’ development is benchmarked by talent depth index, experience, training days and voluntary turnover rates. | - LMCI phases II and III roll-out.  
- Coaching skills program.  
- Senior leadership part 1 to 3.  
- Leaderview and 360-degree strategy.  
- Partnership with business schools on leadership development.  
- HR functional skills redefined. |
| **Organization**     | - People understand matrix roles and responsibilities and behave in a manner consistent with the organizational model.  
- People engagement is an integral part of any organizational change project. | - KFI (EU) survey shows that senior managers demonstrate high levels of commitment, engagement and clarity of roles.  
- Organizational development skills, change management culture and tools in place (LMCI in each major country in the EU region). | - Support the Innovation to Market (I2M) project and project management.  
- Continue to support the EU growth teams.  
- Establish integration forum with Operations and continuously improve matrix effectiveness.  
- Support STAR (business integration database), SHARP (HR database integration) and main organizational change programs.  
- Roll out an employee engagement survey. |
<table>
<thead>
<tr>
<th>HC strategy elements</th>
<th>Critical success factors</th>
<th>Stretch goals</th>
<th>Activities and tasks</th>
</tr>
</thead>
</table>
| Diversity            | • Increased representation of females in senior management.  
• Increased representation of non-nationals in senior management.                                                                                     | • Improve these representations by a certain (undetermined) percentage in functions and management levels of those in salary grades from 12 to “banded.”  
• Increase flexibility within the organization.  
• Identify and review on an ongoing basis, external best practice diversity initiatives.                                                                 | • Introduce monthly tracking reports.  
• Establish forecast commitment.  
• Implement the Kelly flexibility program, so-called KellyFlex to facilitate diversity.  
• Implement external benchmarking data by country. |
| Flexibility          | • Promote high levels of trust and openness about flexibility, throughout the organization.                                                                                                                  | • Parent company survey shows that significant improvement in flexibility.  
• KellyFlex principles are communicated and established in all countries.                                                                                                                                   | • Benchmark best practices with other companies.  
• Develop communication strategies.  
• Align with proposed KFI action plans.  
• Implement the program locally and follow up.                                                                                                                             |

Note: HC means human capital  
Source: KFI (EU) HR documents
Appendix J: Human resource and management & organization development of KFI (EU-Nordic)

HR Director

HR Director
Sweden / C & B
Director Nordic

HR Manager
(BU)

HR Officer &
Assistant (BU)

C & B Nordic
Analyst

C & B Nordic
Administrator

HR Manager
(OP - CP)

HR Officers
(OP)

HR Manager
(OP - SP)

HR Officers
(OP)

HR Manager
(OP - Coffee)

HR Officers
(OP)

HR Director
(BU/OP) Denmark

HR Director
Norway

HR Officer
(BU)

HR Officer
(BU/OP)

HR Officer
(BU)

HR Manager
(OP - CP)

HR Officers
(OP)

HR Manager
(OP - SP)

HR/MOD
Consultant Nordic

MOD Director
Nordic

General Manager
(BU/OP) Finland

Training Manager
Nordic

HR Officer
(BU/OP)

BU - Business Unit
CP - Confectionery Product
C & B - Compensation & Benefits
MOD - Management & Organization Development
OP - Operations
SP - Snacks Product
## Appendix K: Brief structure of the LMCI program

<table>
<thead>
<tr>
<th>Briefing and pre-work</th>
<th>Performing a personality and behavioral assessment through 360-degree feedback in terms of a participant’s strengths and weaknesses from relevant managers, colleagues within/across departments and direct reports prior to attending the course</th>
</tr>
</thead>
</table>
| **Part I: 3-day workshop**  
“Mobilizing the energy” | **Mission:** Motivating and inspiring managers to lead and manage continuous improvement  
**Objectives:** To identify the impact of LMCI on achieving the corporate vision and values along with live key business issues, and to strengthen networking and cross-functional team working |
| Briefing and pre-work | Preparing the work-in-progress agenda or the result of the in-company projects for discussion and review |
| **Part II: De-briefing and in-company project work**  
“application of learning”  
duration - 3 months | **Mission:** Executing the action plans from Part I with support from line managers  
**Objectives:** To work on the LMCI project by applying the learning tools from Part I, to develop skills in change management and leadership processes, and to implement personal improvement plans |
| Briefing and pre-work | Meeting with the manager and agreeing on personal actions to apply the LMCI framework and learning tools to real-life individual business issues |
| **Part III: 2-day workshop**  
“delivering reality” | **Mission:** Reviewing and reflecting on learning from Parts I and II  
**Objectives:** To work on the LMCI project by applying the learning tools from Part I, to develop skills in change management and leadership processes, and to revitalize personal improvement plans |
| De-briefing and personal actions | 3-day follow-up workshop  
“managing continuous improvement momentum”  
to be held 2 years later  
**Mission:** Refreshing workshops conducted two years after attending LMCI Part III  
**Objectives:** To renew key LMCI messages with updates of new LMCI materials, to review progress of the applications, and to strengthen commitment toward the vision, values and continuous improvement |

Note: The shaded box defines a kick-off stage of the LMCI process in action.  
Source: KFI (EU-Nordic) LMCI manual
Appendix L: KFI (EU-Nordic) training structure: Leadership competency

Source: KFI (EU-Nordic) training strategy presentation slides
Appendix M: MAP review 2003

Employee’s Name: 
Employee Title: 
Salary Grade: 
Country: 
Manager’s Name: 
Employee Location: 
Manager’s Manager’s Name: 
Employee Function: 

Performance against Goals

Briefly assess/describe performance against goals/job responsibilities and effectiveness at developing others, including “hits” and “misses.” Be specific, providing examples where appropriate.

Performance against Prior Year’s Development Plans

Briefly assess/describe progress against the prior year’s Development Plans. Describe what was accomplished and what was learned or developed.

Kelly Competencies Assessment

Identify up to three strengths and up to three development opportunities. Indicate if English is required for a job position. If so, select the level of proficiency from the drop down list. Refer to help/training guide for definitions.

Strengths and Development Opportunities Comments

Comment on strengths/development opportunities with respect to your current position or future projects/job assignments. Consider Kelly company values, Focus, Innovation, Passion, Speed, Trust and Teamwork when assessing leadership.
Overall Performance Rating (A manager determines final MAP rating)

This rating is based on performance for the entire year. It should be based on (1) performance of the entire scope of job responsibilities and attainment of business goals, (2) progress against development goals, and (3) demonstration of Kelly leadership competencies and values (Focus, Innovation, Passion, Speed, Trust and Teamwork). Please consider changes in job responsibilities/goals, unforeseen challenges, and/or circumstances beyond control. Place an “X” on the grid below to indicate Employee’s overall performance rating.

<table>
<thead>
<tr>
<th>Unacceptable Performance</th>
<th>More Expected</th>
<th>Good Performance</th>
<th>Exceeds Performance</th>
<th>Spectacular Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Terms and Definitions:

**Spectacular Performance**: Achieves exceptional results against performance objectives while role modeling desired behaviors and values.

**Exceeds Performance**: Consistently exceeds expected performance results while exhibiting desired behaviors and values.

**Good Performance**: Achieves and occasionally exceeds performance objectives while demonstrating required leadership behaviors and values.

**More Expected**: Generally meets performance expectations but occasionally falls short. Requires guidance and supervision in executing responsibilities and/or may not consistently be demonstrating required leadership behaviors and values.

**Unacceptable Performance**: Performance is generally below expectations. Requires excessive guidance and supervision. Does not demonstrate required leadership behaviors and values.

Overall Performance Comments:

Provide a narrative summary of how this person performed his/her total responsibilities and the business factors that influenced the choice of rating. Explain special situations such as, change in job responsibilities, unforeseen challenges, and/or circumstances beyond control.

Career Dialog

Please take this opportunity to think through and identify your career aspiration by answering the questions below. It should be jointly agreed by the Employee and Manager.

1) How do you view your career progression to date?
   (Highlight significant achievements, qualitatively describe assignments and experiences, provide length of time in assignments)
2) What type of career opportunities would you like to be considered for?

(Position or type of assignment)

3) What are the performance criteria and achievements that best qualify you for your desired career path?

(Core competencies you possess, achievements, experience, on the job success stories)

4) Which areas of improvement do you believe you should focus on to best qualify you for the desired career path?

5) What development opportunities could be provided to you in your current assignment to further your development?

(What can you do now to enhance your capabilities? How can this role provide greater challenges and fulfillment?)

6) Please carefully consider your willingness to relocate in the next 12 months. Indicate your business and geographic preferences.

(Core competencies you possess, achievements, experience, on the job success stories)

<table>
<thead>
<tr>
<th>Business Mobility:</th>
<th>Geographic Mobility:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>Worldwide</td>
</tr>
<tr>
<td>Tobacco</td>
<td>Worldwide with restrictions/preferences</td>
</tr>
<tr>
<td>Bauer Corporate</td>
<td>Domestic Only (current country)</td>
</tr>
<tr>
<td></td>
<td>Domestic with restrictions/preferences</td>
</tr>
<tr>
<td></td>
<td>Unable to relocate at this time</td>
</tr>
</tbody>
</table>
Mobility comments:
Are you willing to relocate to realize your career aspirations? Are there any limitations or time constraints? What are the top three locations you would be most willing to consider?

Development Plan
The development plan is a brief overview of the employee’s development actions for the coming year. The plan should address key development opportunities for current and long-term development.

<table>
<thead>
<tr>
<th>Development Opportunity</th>
<th>Action Plan</th>
<th>Involvement of Others</th>
<th>Target Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Employee Comments
This section gives the Employee the opportunity to make any additional comments to the appraisal.

Mid-Year Review
Briefly restate original business and development goals for the year and comment on the results achieved to date. Also discuss any missed opportunities. Include new or revised goals where circumstances required a change from the original.
**Goals for 2004**

List in order of importance the major goals for the coming calendar year. Indicate how success will be measured.

**Approvals / Signatures**

The manager and manager’s Manager both sign the appraisal indicating support for the content and performance rating. The other manager’s review indicates input and/or review by the “dotted-line,” functional or HR manager. The Employee’s signature indicates that the appraisal has been reviewed and discussed with the Manager – it does not necessarily indicate agreement.

Manager’s Approval: Date:
Manager’s Manager’s Approval: Date:
Other Manager’s Approval: Date:
Employee’s Acknowledgment: Date:

Some of the employees interviewed are unable to identify precisely how this concept is developed within the firm; only a general answer, like “it should be from the management level or consultants,” denotes their understanding.