Human capital development in the international organization: rhetoric and reality

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Abstract
Purpose – The purpose of this study is to present empirical evidence of the nature of corporate rhetoric in developing human capital and how it becomes embedded within a large international organization operating in the Nordic region. The qualitative case study aims to examine the sensemaking of individual managers, and how human capital rhetoric is selected, acted upon, and retained by employees.

Design/methodology/approach – An exploratory case study approach is taken in order to provide an in-depth understanding of the rhetoric and reality of human capital development. Focus groups, archival data, and interviews with key informants (i.e. external consultants, senior executives, managers, and employees from various departments across the Nordic business units) are used to explore different perspectives on the phenomena of human capital development.

Findings – The findings highlight a number of key dimensions that can distort the rhetoric of human capital: corporate strategy, organizational structure, managerial style, and the cognitive frames of individuals.

Practical implications – The study suggests a need for senior managers to take pre-emptive actions to close the gap between the rhetoric of human capital development and what actually happens in practice. A lack of clarity concerning human capital concepts and their outcomes is to be overcome through more effective communication strategies.

Originality/value – The research suggests that 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 interpret human capital rhetoric, shape it and alter it in their own interests. Ambiguity and ignorance over human capital concepts is succeeded by pragmatic assessment and refinement on the part of employees, with the initial human capital development program iteratively amended as it passes through the organization.

Keywords Human capital, International organizations, Rhetoric, Denmark, Norway, Sweden

Paper type Research paper

Introduction
What is human capital? In the work of management scholars, the term “human capital” has been referred to as a key element in improving an organization’s assets and employees in order to increase productivity as well as sustain competitive advantage (Becker, 1964; Schultz, 1971). Multiple definitions of human capital have been given to explain its concept, yet nothing much new or different has been said about the concept beyond the extant definition: the repertoire of knowledge, competency, attitude and behavior embedded in an individual (Youndt et al., 2004; Rastogi, 2002). The theory of human capital originated in the field of macroeconomic development theory (Schultz, 1971; Becker, 1964) and has been increasingly applied in the areas of corporate value creation (Rastogi, 2002; Mayo, 2001), competitive advantage (Gratton, 2000; Pfeffer, 1994)
and long-term organizational growth (Tomer, 2003; Chuang, 1999). It is principally assumed that the growing emphasis on human capital in organizations reflects the view that market values depend less upon tangible resources and more on intangible resources, particularly human resources (HR). As Rastogi (2000, p. 196) states: “well-developed human resources serve to provide the foundation on which an edifice of human capital may be built”. It is therefore important for organizations to invest in a program of human capital development (i.e. continuously improving individuals’ knowledge, skills, and abilities) for corporate success (Youndt et al., 2004). However, recent evidence reveals that many organizations have not paid sufficiently close attention to human capital development, leading to an under-utilization of talent in the workforce (Kingsmill, 2001).

Treating human capital as a means of achieving positive business results is the traditionally dominant approach in the literature. However, little work has been done on what constitutes a framework of human capital development, particularly in view of investigating the gap between rhetoric (what is espoused) and reality (what is enacted) in an international organization. Also, there is scant evidence identifying key dimensions of human capital development that are involved in creating the conditions for such a gap.

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 an organization operating in the international environment. An area which has been received particularly scant attention is whether, within companies that have claimed to foster human capital development, human capital has been actually embedded within the firm and to what extent employees have embraced it as a workable and useful organizing set of principles. This leads to a fundamental research question of this study: to what extent is there a gap between rhetoric and reality in the working of human capital concepts and practices in an international organization? Our objective is, therefore, to investigate empirically the relationship between the espoused theory and the theory-in-use (Argyris, 1988) of human capital development in a large international organization, by identifying critical domains of human capital in both organizational and individual contexts. This builds on previous research done by Nordhaug (1993), who called for an empirical investigation of the extent to which an organization embraces the concept of human capital development and, potentially, puts it into practice.

In this article, we focus on a case study of a large food company operating in the Nordic region (henceforth known as “KFI (EU-Nordio)” – a pseudonym) and its attempts to develop human capital through a number of corporate initiatives. The paper begins with an exploration of the extant theories of human capital development, in order to critically review them, and of the calls for research on the rhetoric and actual practice of human capital development concepts. Then, we move onto the case, examining the link (or lack thereof) between the intentions of management and the practical implementation of human capital development. We conclude by drawing out the major themes from the research and build theory to help explain how human capital becomes embedded (or not) within an organization.

**Theoretical perspectives**

Although human capital theory was essentially developed as a contribution to theories on economic growth, a number of organization theorists have used human capital principles to demonstrate how firms can create competitive advantage through
developing individuals’ human capital (Garavan et al., 2001; Nordhaug, 1993). The literature to date provides a wide range of human capital concepts and definitions (e.g. Gratton and Ghoshal, 2003; Rastogi, 2000), yet still lacks insight into how the concepts of human capital development are embraced and turned into practice. By drawing on theories of the rhetoric and reality (Legge, 1995) in association with human capital development and managerial cognition, a gap in the human capital research can be identified which sets the scene for the present study.

Critical views on human capital development
Much of the literature on human capital development has focused on reporting the voice of management or managerial views. 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 and Tesone (2001, p. 123): “one author refers to those who initiate fads as fashion setters, and [those who] identify them as consultants”. While the debate around human capital concepts seems to be a main focus in the literature, there is no explicit theoretical framework or empirical evidence on the link (or lack thereof) between the intentions of management and the practical implementation of human capital development in an international organization. This paper is intended to help fill the deficiency in the literature by providing empirical evidence, and by identifying as well as attempting to bridge the gap between the rhetoric and reality of developing human capital. In doing so, it is a response to Nordhaug’s (1993) calls for an empirical investigation of the degree to which an organization embraces the concept of human capital development and, potentially, puts it into practice. Also, it attempts to extend traditional research into human capital – with an emphasis on linking human capital measurement with organizational outcomes (Fitz-enz, 2000; Friedman et al., 1998) – by drawing intention to how human capital is developed in an international firm.

Human capital: rhetoric and reality
The concepts of human capital and strategic human resource management (SHRM) have become popular among organizations in terms of their philosophy and techniques (Jackson and Schuler, 2003; Ulrich, 1997). The increasing adoption of these theoretical approaches may only be an imperfect indicator of their actual adoption and/or implementation, however. For instance, a firm may seek to convince external constituencies that it adopts leading HR practices in order to gain a reputational advantage, or to gain institutional legitimacy (DiMaggio and Powell, 1983), even though reality may not match rhetoric (Staw and Epstein, 2000; Zbaracki, 1998; Legge, 1995). This example reflects the gap between what a firm intends to achieve and what the firm is actually destined to implement. Legge (1995, 1998), however, argues that both “rhetoric” and “reality” are equally “real”, and the present study aims not to give ontological priority to either aspect. Rather, this paper focuses on rhetoric and reality in order to explore the understandings that employees construct when they encounter human capital. We follow Zbaracki’s (1998) approach in examining the relationship between what people say, or what 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 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, primarily using language to explain plans to use human capital and to inform about the progress of their implementation. This is consistent with Barley and Kunda’s (1992, p. 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, however, is defined by Zbaracki (1998) as being the models of human capital that people construct, focusing specifically on the tools used and the meanings made in those models.

Research methodology
Exploratory case study methodology is employed for this research. The rationale for this approach is that it allows the exploration of human capital development with regards to the difference between what policies state and how people act upon them in a single organization. In addition, it allows for the collection of diverse information so as to investigate a contemporary phenomenon within the organization.

Case selection
This qualitative research was conducted at one of the world’s largest food companies, KFI (EU-Nordic) which is a subsidiary of a multinational corporation, KFI, headquartered in the USA. KFI (EU-Nordic) currently employs over 2,880 employees in three business units across three Nordic nations – Denmark, Norway, and Sweden. There were two main reasons for selecting KFI (EU-Nordic) for a case study.

First, KFI (EU-Nordic) has placed a strong value on developing human capital as a strategic weapon in building competitive advantage. As Legge (1995) has noted, although human capital policies may be adopted in theory, actual practices may vary in different organizational settings. KFI (EU-Nordic), however, can clearly be seen to have an espoused theory of human capital, which can be investigated and mapped against the theory-in-use experienced by employees.

Second, the organizational structure of KFI (EU-Nordic) allows investigation of how human capital becomes embedded (or does not) within a structurally complex organization operating across national frontiers.

We focus on a single case for two reasons. First, the case is relatively unusual in context and provides the opportunity to build theory through analysis of a number of unit cases within the firm. That is, divergent individual views from key people at the senior management level (i.e. senior managers), and at the middle-management level (i.e. middle managers and employees) can be identified and used to point a collective portrait of the phenomenon under study, as suggested by Gratton et al. (1999). Different groups of people may have disparate interpretations of the same issue. Second, because of the exploratory nature of the research, we opt for depth and rich data, which necessarily requires a thorough immersion in the organization (Yin, 1994). This research utilizes an inductive approach (Cooper and Schindler, 1998; Hamel et al., 1993) to generate a theoretical framework reflective of the phenomenon under study.

Data collection and analysis
Multiple sources and modes of data, or “triangulation”, were utilized to ensure internal validity as well as to minimize potential biases in drawing conclusions (Snow and Thomas, 1994; Yin, 1994). Moreover, we followed a multi-method approach used in the preceding human capital case research works, such as the studies of Truss (2001) and
of Gratton et al. (1999). Throughout six months of the data collection period, three principal research methods were utilized for this research:

(1) focus groups;
(2) semi-structured interviews; and
(3) documentary analyses.

These are wide-ranging enough to tap a variety of human capital dimensions.

The use of focus groups allows us to probe the general subject of human capital and “check the pulse” of organizational alertness on human capital issues. In total, six focus groups, comprising 27 informants (22 from the management level and five from the non-management level) were organized in three countries. Case descriptions transcribed from tape recordings and personal notepads were produced and analyzed using the content analysis technique. This involved performing a word-frequency count in order to make inferences about key emerging themes in the data (Weber, 1990). Two interview formats were employed.

First, semi-structured interviews were scheduled so as to allow the interviewees greater freedom in expressing the issues that they felt were most relevant from their own points of view, and to potentially highlight issues not envisaged at the interview design stage. Interviews with 40 key individuals, ranging from top management to non-management employees as well as external consultants, who are centrally engaged in the human capital concepts in practice, were conducted for around an hour and a half each. Second, given some of the interviewees’ busy schedules, the interviews were conducted via telephone.

Once the data were collected, two types of analysis were performed. First, the tape-recorded interviews were transcribed as case descriptions and subsequently examined where appropriate. Second, overarching themes were identified based upon an established typology. These were cross-checked to strengthen the validity of the defined constructs.

Case findings
From the focus group and interview data, a number of recurring themes emerged covering human capital development, the rhetoric surrounding its introduction and implementation, and the actual experience of employees. They are:

- corporate strategic rhetoric;
- corporate structural rhetoric; and
- HR management rhetoric

All of these are underpinned by individual cognition.

Corporate strategic rhetoric and reality
At the time of research, senior managers of KFI (EU-Nordic) played a powerful role in using changes in corporate vision and values, together with business strategy, to frame the introduction of human capital concepts. The findings show that this approach has been driven by both demand and supply factors. On the supply side (Zbaracki, 1998), human capital is seen by the senior managers as a way to potentially increase the...
effectiveness of HR management, to increase the innovativeness of organizational members, and to gain commitment:

Human capital [concepts] are being heavily promoted in other organizations, and they are getting a good press there. We ask a number of consultants to come and speak with us. They make good presentations and convince us about the benefits of the approach that we should adopt. Well, we believe that we can use it and that will help improve our employees’ capability and creativity (Interview: HR Director of KFI (EU-Nordic) in Sweden).

On the demand side (Dutton and Dukerich, 1991), employees have indicated to management, through the medium of employee surveys, that the firm’s previous emphasis on “tough love” in terms of HR management (Price, 2003) created a negative effect on job satisfaction, individual performance, and morale. Rather, employees felt there should be a greater focus on the development of employees’ 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 were in a certain period […] And our commitment to the jobs is not good. Some of us prefer to work for just reaching the minimum workload (Interview: HR Director of KFI (EU-Nordic) in Norway).

Despite the rhetoric of HR strategy being perceived as impressively presented, employees asserted that, in difficult circumstances such as higher market competition, the organization would revert to the “tough love” regime of HR management. That is, employees are expected to be both dedicated and dispensable. Thus, human capital principles are likely to be abandoned:

All the nice words of policies are sugarcoating. When the firm’s business gets rough, nothing else is more important than ensuring that the firm is not making a loss […] The business needs to survive first (Focus Group: Information Systems Manager of KFI (EU-Nordic) in Denmark).

There is evidence that there is confusion over, and ignorance of, the corporate values espoused. Even worse, some employees interviewed believed that the vision and values were unrealistic, prompting a critical and skeptical reaction. This implies that having a particular corporate value statement in place will not necessarily lead to a desired result, due to diverse interpretation by employees. For example:

The title of “speed” in the company policy creates ambiguity of interpretation. 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 […] As for me, I don’t know what to do to improve my knowledge and values to be in line with that (Interview: Conversion Manager of KFI (EU-Nordic) in Denmark).

Thus far, critical concerns voiced by employees demonstrate a sense of skepticism regarding the process of human capital development and a “wait-and-see” attitude. Employees seemed keen to see what significant changes would be made to the organization’s structure and HR management in order to enact strategic rhetoric.

Corporate structural rhetoric and reality
The second major rhetorical element comprises statements about changes to corporate structure, including culture, which pose challenges to the introduction of human capital
development concepts into the organization. The main issues here are the development of a matrix structure in KFI (EU-Nordic), and a focus on re-orienting the corporate culture.

The findings of the study highlight a number of overarching themes surrounding the elements of the matrix structure, notably roles and responsibilities, and bureaucracy. It was found through both the questionnaires and the interviews that employee experience with the matrix structure was not uniformly positive.

First, the roles and responsibilities of people as defined in the matrix form were perceived as problematic rather than as creating challenging opportunities to capitalize on. In practice, the entire concept of the matrix structure seems to be problematic, despite an espousal of the value of the matrix structure on the part of management. Managers often have a difficult time balancing their roles and responsibilities in both functional and project engagements:

It seems impossible for me to simultaneously complete the demanding assignments with the highest quality. And that makes me feel dissatisfied some time [...] no time for me to do something else, like training to make me perform the jobs better (Interview: Overhead Controller of KFI (EU-Nordic) in Sweden).

Second, a significant challenge exists in the rise of bureaucracy that accompanies matrix management in KFI (EU-Nordic). After the firm’s vision, “one company, one approach” or “Nordification”, was 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 entrenchment of a rigid hierarchy (Casey, 2004). Even worse, some employees’ perceptions of this corporate value turn out to be inimical to what the firm intended to achieve:

Bureaucracy at KFI (EU-Nordic) symbolizes the 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 characteristics of the [inherent] bureaucracy that we have in KFI (EU-Nordic) (Interview: Marketing Director of KFI (EU-Nordic) in Norway).

There are 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. For instance, employees’ frustration at their inability to balance their roles and responsibilities in the matrix structure may divert their attention away from a focus on developing their individual human capital.

From the company documents, it was found that the KFI (EU-Nordic) business had grown substantially through a number of acquisitions of and links with top-performing local brands in each Nordic country. Such strategic moves often lead to a significant shift in the corporate culture (Dennison, 1990). KFI (EU-Nordic)’s espoused focus on corporate culture then becomes a key concern for senior managers as they strive 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). In interviews, we discovered that some managers in the acquired firms felt antagonistic toward the American business practices adopted which replaced existing human-oriented ones. This lead to a negative shift in their attitudes toward the firm. A critical comment is noted:
I perceive that the firm has changed since the 1993 takeover. There is an issue of cultural change which poses harsh feeling and emotion among 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 have to live with it for economic reasons (Interview: Corporate Affairs Manager of KFI (EU-Nordic) in Norway).

Another issue of interest arising out of the study is that the US headquarters of KFI (EU-Nordic) exerted a strategy of cultural control transfer (Ogbor and Williams, 2003; Jaeger, 1983) through its American expatriate managers (Rosenzweig, 1994), with the aim of importing American management practices into KFI (EU-Nordic). Although such a cultural control strategy has been successfully implemented in many firms with cultural distance (Kopp, 1994), it may not be the case at KFI (EU-Nordic). Despite the cultural control strategy being espoused at KFI (EU-Nordic), it is found that there is still a problem of the values and norms of the Nordic employees in KFI (EU-Nordic) conflicting with the parent company's values. That is, some employees had negative feelings toward the US parent's business culture. In particular, its value of regular performance assessment was overriding the employee-oriented values of KFI (EU-Nordic). This generally critical view was reflected in a focus group:

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 were here before the acquisition took place (Focus Group: Account Manager of KFI (EU-Nordic) in Norway).

**HR management rhetoric and reality**

The findings of the study reveal that there is a gap between the rhetoric of what the HR functions seek to achieve and the reality experienced by employees in the areas 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 KFI (EU-Nordic), the HR functions are designed to support the central features of human capital development (i.e. knowledge, skills, and abilities (Youndt et al., 2004)), by focusing on attracting, developing, and retaining a highly-qualified workforce in alignment with the firm's business strategies. This lends strong support to the studies of Gratton et al. (1999) and Schuler (1992).

Although recruitment and selection are key parts of the drive for human capital, in context of a downsizing initiative, these activities are de-emphasized. The claim that KFI (EU-Nordic) is an employer of choice therefore rings hollow for a number of employees. The identity of the firm, considered vital to the sustainable success of the organization, is seen by many employees to be hidden behind individual brand identities:

KFI (EU-Nordic) in Norway has not positioned itself well in the job market, leading to it attracting fewer talented people to work for the company. However, this 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 [to American workers] (Interview: Logistics Analyst of KFI (EU-Nordic) in Sweden).

In training and development, the quality of the programs and the follow-up monitoring do produce some success stories, particularly with senior managers who are seen to be...
softening their previously tight “tough love” stance. 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:

Training is useful for us. It provides us an opportunity to learn more of other perspectives from different people. But, in reality, it may mean nothing if the work environments are not supportive of the changes that we try to introduce (Interview: Conversion Manager of KFI (EU-Nordic) in Sweden).

When considering performance management and reward systems, changes to the goals and competency frameworks help to embed a sense of purpose about the human capital development programs (i.e. corporate training initiatives like “Leading and Managing Continuous Improvement” programs that aim to develop future KFI (EU-Nordic) executives with strong leadership skills) but competing values and priorities among managers and employees mean, for many, a retreat to habitual ways of working. Also, it was found that the performance appraisal system excludes the notion of human capital for measurement, simply because senior managers have reached no conclusion about how to measure human capital:

No matter how sophisticated the performance appraisal and pay systems in place are, we don’t see how they can ease our workload and help me improve abilities and skills. They are not really evaluated, though I think I can lead people to do their jobs better (Interview: Demand Planning & Replenishment Analyst of KFI (EU-Nordic) in Norway).

Making sense of the rhetoric: explaining employees’ interpretations
From the focus group and interview data, it was found that employees, including managers, were willing to embrace the rhetoric of the human capital development programs and turn them into actions based on a combination of two primary aspects: cognition and motivation.

First, employees’ cognition reflects how employees’ perceptions and interpretation may influence potential actions to be undertaken:

I try to develop some understanding of the programs before justifying whether they are good or bad (Focus Group: International Marketing Manager of KFI (EU-Nordic) in Norway).

Second, employees’ motivation concerns how employees’ personal attitudes may drive any potential actions to be undertaken:

When I think the programs are good for me and help me improve skills and abilities, I surely want to attend them (Interview: Financial Analyst of KFI (EU-Nordic) in Sweden).

Probing beneath these views, it is evident that they embrace rhetoric on the basis of perceived self-interest (“What is in it for me?”) and perceived organizational context (some employees interviewed who experienced a strong supportive organizational context felt obliged to reciprocate favorable organizational treatment with attitudes and behaviors that, in turn, benefit the firm). These underlie employees’ justifications of how they are likely to act upon, either positively or negatively, the rhetoric of human capital development espoused by the firm and senior managers (Gioia and Thomas, 1996).

Discussion
The case study of KFI (EU-Nordic) draws out three major issues for discussion. First, employees’ responses to the rhetoric of human capital development are not uniformly
positive, thus raising the question, “What is wrong with the rhetoric?”. The initial reaction of employees to the human capital development concepts is that of confusion – “What does it all mean?” – and to some extent a suspicion that the new forms of work would produce more work in KFI (EU-Nordic). The rhetoric that senior managers initiate is much concerned with the potential of human capital benefiting the firm and its contributions to HR practice, but not with individual employees as such. The vague nature of the perspectives of human capital development 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 the stories of success highlighted, the idea that human capital is merely a fad or a fashion is expressed by some employees as Abrahamson (1996) indicated would be likely. This is also in line with the work of Zbaracki (1998), which suggests that it is important to distinguish between the technical and rhetorical elements of such programs. However, not all employees interviewed showed absolute skepticism toward the human capital development programs. Some positive views were also revealed. This shows variation among the employees, who are considered multiple audiences with diverse interpretations and different sensemaking schemes, leading to justification of potential actions to be undertaken (Weick, 2001). Such multiplicity underlines how complex it might be for the process of human capital development to become embedded.

Second, much of the rhetoric of human capital development 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 would bring to HR management practices. The KFI (EU-Nordic) senior managers’ claims about the benefits to organizational performance and bottom line results fail to imbue employees with the belief that their HR capabilities would be enhanced in a real sense by the human capital development program. Moreover, the technical content of the human capital development program is often insufficiently specified. The lack of specific cost outcomes for the introduction of human capital, allied with the lack of HR performance targets and indicators, means that the human capital development 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 is certainly not communicated well. This shows that it is difficult to sustain momentum for any change due to the introduction of human capital concepts because of the absence of clarity about the rhetoric of human capital.

Third, the matrix design of the organizational structure in KFI (EU-Nordic) has proven to be both enabling and constraining in terms of developing human capital. On the one hand, the matrix structure helps create a way for KFI (EU-Nordic) to be flexible, thus enabling employees’ human capital to be developed (e.g. by knowledge sharing and skill training). The KFI (EU-Nordic) employees interviewed reveal that extensive knowledge sharing in a diverse cross-functional environment enables them to be more creative and innovation-oriented, thus supporting the conclusions of Eppinger (2001). On the other hand, the matrix structure leads KFI (EU-Nordic) employees to confront some challenges from (anticipated) bureaucratic practices. It is evident in the data that the emergence of bureaucratic practices within the firm seems antithetical to the KFI (EU-Nordic) corporate value of “speed” – fast responsiveness. This partially results in
employees’ resentment toward 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 terms of pushing forward their ideas to get concrete results. This may discourage
them from developing their innovative thinking to a greater extent.

Concluding remarks
A critical issue in human capital development research is that much of the human
capital literature is prescriptive in tone and managerial in intent, giving broad
descriptions of how to develop human capital in the international organization
(Nordhaug, 1993). This research, however, goes beyond what the traditional literature
has offered, by providing some empirical evidence on the nature of corporate rhetoric
(what is stated) and practical reality (what actually happens) in developing human
capital. In doing so, it is a response to calls for research by Nordhaug (1993). The
findings of the study suggest that there are three crucial dimensions that can distort
the rhetoric of human capital development — namely corporate strategic rhetoric,
corporate structural rhetoric, and HR management rhetoric — through diverse
interpretations by organizational members (or the reality experienced by managers
and employees). Managers create rhetoric that needs to be absorbed by employees at
different organizational levels, and, in some cases, a counter-rhetoric of human capital
is formed. Employees interpret and refine human capital rhetoric in their own interests.
Therefore, based on the rhetoric and reality principle proposed by Legge (1995), how
human capital can be developed and embedded within the international organization
needs close attention from management. Critical thoughts on creating a competitive
advantage through human capital need to be re-examined, rather adopting the concept
of human capital simply as a management fashion. The extant research on competency
development and human capital measurement reflects only a part of the human capital
development equation. It is crucial to take a more integrated approach to human capital
development, which has not been widely seen in the literature. In a practical sense, this
study suggests the need for senior managers to take pre-emptive actions to close a gap
between the rhetoric of human capital development and what actually happens in
practice. A lack of clarity regarding human capital concepts and their outcomes needs
to be overcome through more effective communication strategies.

In implementing the study findings, one must be aware of its limitations. The study
is limited in scope because it is an exploratory single case study. This makes
generalizability of the findings difficult. It would have been much more interesting to
examine the proposed dimensions of human capital development in the long term or
through a longitudinal study. Such an approach would increase the strength of future
studies, as too would the use of contrasting observations from multiple cases.

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