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Critical Views on Human Capital: A Literature Review

[ABSTRACT]

THE notion of human capital has been much conceptualized in a wide array of academic research, yet its collective and comprehensive literature review is under-reported. This article reviews the literature on human capital and examines three key areas: human capital theory, including its definition and evolution; 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 rhetoric and its actual implementation, or the difference between rhetoric and reality, or espoused theory and theory in use (Argyris, 1992, 1988) that shed some light on an under-researched area of human capital. This literature review, therefore, attempts to show that in-depth empirical examination of human capital programs within organizations is rare and provides a strong rationale for future research.

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 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 1 Human capital - Some definitions in reference

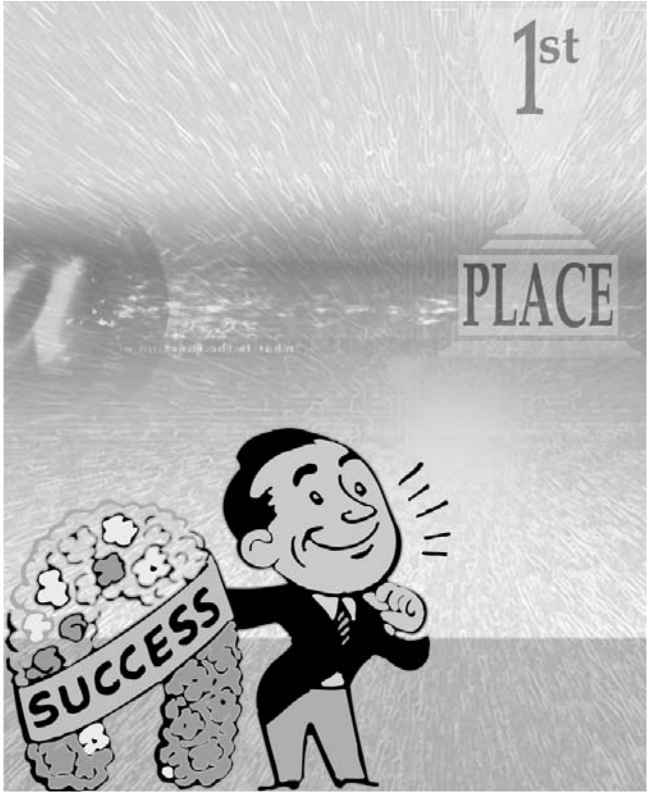
Authors	Definitions of human capital
Becker (1964)	The stock of knowledge, skills and abilities embedded in an individual that results from natural endowment and subsequent investment in education, training and experience.
Parnes (1984)	The abilities and know-how of men and women that have been acquired at some cost and that can command a price in the labor market because they are useful in the productive process.
Seligman et al. (1997: 3)	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.
Galunic & Anderson (2000: 3)	Know-how, information, relationships, and general relationships, and general capabilities that individuals bring to bear on behalf of the firm through the employment relation.
Rastogi (2000: 196)	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.
Mayo (2001)	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.
Gratton & Ghoshal (2003)	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.
Weatherly (2003: 1)	The collective sum of the attributes, life experience, knowledge, inventiveness, energy and enthusiasm that its people choose to invest in their work.

Source: The author

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).

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.

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. That is, 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 the notion of human capital grows in significance, how can employers capitalize on individuals' potential?

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, 1997; 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 (Fiol, 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).

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., 2001). 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 and organizational commitment in relation to human capital concepts (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 employees' human capital can be developed within an organization. In the following sections, the literature on these complementary capitals is briefly reviewed.

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. (2001) 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 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., 1994). 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 (Fiol, 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).

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). 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 and trust.

Social capital is an intangible asset capable of delivering the collective network value within the organization over time, 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. At the individual level, human capital resides with the people, whereas social capital is embedded in the relationships among them (H?ppi & 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 resource-based view theory, social capital, with a focus on links among individuals, creates the conditions for connections, which are non-imitable, tacit, rare and durable. Cohen & Prusak (2001) propose 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

rela[illegible]e 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.

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). 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, organization-wide routines and processes (Currie & Kerrin, 2003; Wright et al., 2001), 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) and to foster individuals' creativity (Cox, 2001).

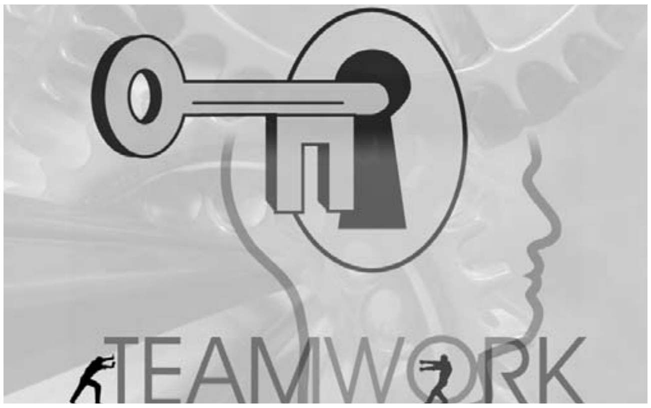
According to these arguments, it can be implied that organizational structures should support the mandate of the corporate practices, like reengineering or culture change, and so have sufficient variety to accommodate such changes.

Critical views on human capital

MUCH of the literature on human capital development has focused on reporting the voice of management or managerial views (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), 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 concepts 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). 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., 2000). 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). 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).

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 article, the nature and workings of human capital rhetoric 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).

Resistance

ALLIED to critical views on human capital development is the concept of resistance. Resistance to organizational initiatives, such as human capital development programs, may come from the individual, group and organizational level (Jick, 1995). At the individual level, issues of uncertainty, habit, anxiety, protection of power and mistrust of the organization are clear sources of resistance. At the group level, issues around group norms, groupthink and entrenched power positions are prominent. 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). 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 and increase their sense of powerlessness, 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 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. 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 assumptions, 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., 1994: 568) Reger et al. (1994) 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.

Characteristics of the recipient - Selective perception is another key concern for resistance to organizational rhetoric. 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. Cohen & Levinthal (1990) argue that employee's 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 human capital development programs 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 concepts 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 development programs become even more considerable.

Concluding remarks

THIS article 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 concepts. 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 significant step for future research, thereby extending the body of knowledge in the field. Basically, 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 there of) between the intentions of management and the practical implementation of human capital development in an organization.

Therefore, it is these issues that this article examines, and by so doing explicitly responds to calls to develop a more empirically grounded understanding of human capital principles (e.g., Crutchfield, 2000; Nordhaug, 1993). Traditional research on human capital has emphasized linking human capital measurement with organizational outcomes (Fitz-enz & Davison, 2002; Friedman et al., 1998) but methodologically what is required is an emphasis on how human capital concepts become 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 article aims to contribute. Further research may be dedicated to seeking 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.

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