Human Capital and Value Adding in Public Sector: A Performative Case Study in a Higher Education Institution

By

Amalia Kusuma Wardini M.Com(USyd)

School of Business and Governance
Murdoch University
Australia
2017
I declare that this thesis is my own account of my research and contains as its main content work, which has not previously been submitted for a degree at any tertiary education institution.

............................
Amalia Kusuma Wardini
ABSTRACT

Nature/significance: Most Intellectual Capital Accounting Research (ICAR) is primarily quantitative (ostensive) which have not addressed sufficiently the issue of the recognition of human capital (HC) in accounting. This thesis investigates HC practice in the Open University Indonesia (OUI) in developing HC, creating value of HC for OUI and delivering values for OUI’s stakeholders.

Design/methodology: The existing theory of HC in ICAR and the practice of HC in public sector motivate this thesis and raise three research questions: 1) What are the elements of HC embedded in HC practice in OUI? 2) How does HC create value for OUI regarding the contribution of HC to the strategic direction and the management of OUI? 3) How does HC contribute to delivering OUI’s proposed set of values for its students? To answer the research questions the analysis of the thesis is divided into three main streams of performative approach to HC: 1) the conceptualisation of HC, 2) the value creation of HC, and 3) the proposition of HC.

Findings: The thesis generates three major findings. First, HC is conceptualised by the introduction of personal value (ODL capabilities), social value (teamwork and leadership) and organisational value (flexibility, access and organisational culture) that integrated into HC. Second, the value creation process of HC is a continuous process whereby OUI’s stakeholders add value to each other and keep these values (personal value, social value and organisational value) in equilibrium. Thirdly, HC delivers the proposed set of values to students by aggregating activities-resources-capabilities of HC in value-adding processes.

Research limitations/contributions: The thesis has limitations related to performative case study and data collection, however, the thesis has provided strong evidence about the practices of public sector organisations such as universities and can provide reliable information to a broader field of research. The contribution of this thesis for OUI is reconceptualisation of HC as transformation agent related to its processes (open university business model), control (monitoring and evaluation system) and performance (performance and rewards system).

Originality/value: This thesis is the first performative case study of HC in ICAR in the public sector using the theoretical frameworks of strategic management. This thesis enhances the extant literature on methodology in HC research and derives practical implications for practitioners in universities, especially in ODL context.

Keywords: Performative approach; performative case study; intellectual capital accounting research; public sector; open and distance learning; university.
I dedicate this thesis to both of my parents:
My late father Parta Subita and my late mother Rani Anggrainy

For their endless love.
ACKNOWLEDGEMENTS

In the name of Allah, Most Gracious, Most Merciful

All praise due to Allah, the Cherisher and Sustainer of the world, The Living Who has given me the life and the mind to complete this thesis.

Foremost, my heartfelt gratitude goes to my family for their unwavering support, love, and prayers through this difficult PhD life and for their patience in accompanying me during my PhD journey. Without their support, I would have never contemplated this route.

My sincere thanks to both of my supervisors. Firstly, to Professor David Holloway who has the attitude and the substance of a critical theorist and strategic management accounting researcher, he continually helped to improve my writing and convincingly conveyed a spirit of adventure in regard to research and scholarship. My thanks also to Professor Manzurul Alam for his guidance in helping me to go through the initial and final stages of my candidature. Without their patience and persistence support I would have never completed this thesis.

I would like to express the deepest appreciation to my PhD chair, Dr. Craig Whitsed whose critical thinking and valuable advice helped to manage the thesis from the university’s perspective. My thanks also to the Post Graduate Director of the School of Business and Governance, Dr Megan Paull who had provided me with valuable resources and advice during my study. My sincere thanks also for the Rector of Universitas Terbuka, Professor Tian Belawati who has given me the opportunity to undertake this PhD journey as well as the relevant officials of Universitas Terbuka who have given me continuous support and assistance. Without their support I would have not arrived at the finish line.

Lastly, all my sincere thanks for all those who voluntarily participated in my data collection and without whose voices this research would have been incomplete.
TABLE OF CONTENTS

ABSTRACT ............................................................................................................... iii
DEDICATION ........................................................................................................... iv
ACKNOWLEDGEMENTS ....................................................................................... v
TABLE OF CONTENTS .......................................................................................... vi
LIST OF FIGURES .................................................................................................. xiii
LIST OF TABLES .................................................................................................. xiv
LIST OF ABBREVIATIONS ................................................................................. xv

CHAPTER 1 INTRODUCTION
1.1. FOCUS OF THIS THESIS .............................................................................. 1
1.2. BACKGROUND TO THE RESEARCH ....................................................... 5
   1.2.1. HC in Intellectual Capital Accounting Research Agenda ...................... 5
   1.2.2. HC in the Performative Approach ............................................................ 6
   1.2.3. HC in the Public Sector and Higher Education Sector ............................. 8
1.3. RESEARCH OBJECTIVE AND RESEARCH QUESTIONS .................. 10
1.4. CONTRIBUTION TO THE FIELD AND RESEARCH LIMITATIONS 11
1.5. STRUCTURE OF THE THESIS .................................................................. 12
1.6. DEFINITION OF KEY TERMS IN THIS THESIS ..................................... 15
   1.6.1. Intellectual Capital .................................................................................. 15
   1.6.2. Human Capital ........................................................................................ 15
   1.6.3. Unit-Level Resource ............................................................................... 15
   1.6.4. Performative Approach ......................................................................... 16
   1.6.5. Performative Approach to HC Research .............................................. 16
   1.6.6. Performative Case Study ....................................................................... 16
   1.6.7. Value Adding .......................................................................................... 16
   1.6.8. University ............................................................................................... 17
1.7. CONCLUSION ............................................................................................... 17

CHAPTER 2 LITERATURE REVIEW
2.1 INTRODUCTION ............................................................................................ 19
2.2 HUMAN CAPITAL ........................................................................................ 20
2.2.1 Key Concepts.......................................................................................... 20
2.2.2 Definitions of Human Capital................................................................. 22
2.2.3 Human Capital as a Key Element of Intellectual Capital ....................... 23
2.2.4 The Components of HC .......................................................................... 26
2.2.5 Structure, Level and Function of HC...................................................... 28

2.3 PERFORMATIVE APPROACH TO HC RESEARCH ........................... 31
2.3.1 Human Capital in IC Research: From Measurement to Management
   Paradigm ........................................................................................................ 31
2.3.2 HC in IC Research: From Ostensive to Performative Approach .............. 33
   2.3.2.1 The Conceptualisation of HC ...................................................... 36
   2.3.2.2 The Value Creation of HC .......................................................... 37
   2.3.2.3 The Proposition of HC ............................................................... 38

2.4. HC IN ORGANISATIONAL CONTEXT ................................................... 39
2.4.1. Resources Based Theory (RBT) : Resources, Capabilities and
   Competitive Advantage ........................................................................ 39
2.4.2. Application of RBT for Specific Organisational Capabilities ............... 44
2.4.3. Human Capital, Organisational Performance and Competitive
   Advantage ..................................................................................................... 48
2.4.4. Human Capital, strategy and control system ......................................... 49
2.4.5. Levers of Control.................................................................................... 51
   2.4.5.1 Belief System and Boundary System .......................................... 52
   2.4.5.2 Diagnostic System ....................................................................... 53
   2.4.5.3 Interactive system........................................................................ 54

2.5 HUMAN CAPITAL IN THE UNIVERSITY CONTEXT .......................... 55
2.5.1. Indonesian University in the Reform Context ........................................ 55
2.5.2. Organisation in Societal Culture ............................................................. 58
2.5.3. Leadership in the University: Top-Down and Bottom-Up Leadership .. 60
2.5.4. Dimensions of Leadership in This Thesis .............................................. 61
2.5.5. Human Capital in Organisational Culture ........................................... 62
2.5.6. Organisational Culture as the Third Element of Human Capital ............ 64
2.5.7. Value-Adding in the University .............................................................. 67

2.6 SUMMARY OF LITERATURE REVIEW ................................................. 68

CHAPTER 3 METHODOLOGY
3.1 INTRODUCTION.......................................................................................... 70
3.1.1. Scientific Paradigms ............................................................................. 70
3.1.2. The Relationship Between Ontology, Epistemology, Methodology, and
   Methods .......................................................................................................... 71
3.1.3. Human Capital in Intellectual Capital Accounting Discipline ............... 72
3.1.4. Approaches to Intellectual Capital research ........................................ 73

3.2 UNDERPINNING THEORIES, ASSUMPTIONS AND APPROACHES 74
3.2.1. Ontology – Social Sciences ................................................................. 74
3.2.2. Epistemology – Social Sciences ............................................................ 78
3.2.3. Paradigm Applied in this Thesis: Performative Approach ................. 81
3.2.4. Performative case study ................................................................. 84

3.3 RESEARCH METHODS ..................................................................... 87
3.3.1. In-depth Semi-Structured Interview ............................................. 87
3.3.2. Observation .................................................................................... 89
   3.3.2.1. Auto-ethnography ............................................................... 90
   3.3.2.2. Netnography ...................................................................... 91

3.4 DATA COLLECTION ........................................................................... 93
3.4.1. Case Study Site and Participant Selection ....................................... 93
3.4.2. Pilot Study ..................................................................................... 94
3.4.3. Interviews ....................................................................................... 94
3.4.4. Archives ......................................................................................... 96

3.5 DATA ANALYSIS ............................................................................. 96
3.5.1. Data Analysis Method ................................................................. 97
3.5.2. Translation Issues ....................................................................... 97
3.5.3. Coding ......................................................................................... 99
3.5.4. Diagram of Themes ................................................................. 101

3.7 CONCLUSION .................................................................................. 105

CHAPTER 4 CASE STUDY FINDINGS

4.1 INTRODUCTION ............................................................................... 106

4.2 CASE STUDY ORGANISATION: Open University Indonesia .......... 110
   4.2.1. Vision and Mission ................................................................. 110
   4.2.2. OUI’s Organisational Structure ............................................. 111
   4.2.3. OUI in Indonesian Country Culture ...................................... 112
   4.2.4. OUI in Indonesian Societal Culture ...................................... 114
   4.2.5. Profiles of the Stakeholders .................................................. 116
      4.2.5.1 Academics .................................................................. 116
      4.2.5.2 Academic support (specialists and administration staff) ...... 116
      4.2.5.3 Management ............................................................... 117
      4.2.5.4 Students ..................................................................... 117
      4.2.5.5 External stakeholders ................................................... 119

4.3 HUMAN CAPITAL (Key Theme 1) .................................................... 119
   4.3.1. Who is the human capital? .................................................... 120
   4.3.2. Individual Capabilities .......................................................... 122
      4.3.2.1. Multimedia capabilities .............................................. 124
      4.3.2.2. Consultation service capabilities .................................. 125
      4.3.2.3. Administrative capabilities ......................................... 126
   4.3.3. Functions of HC ................................................................. 129
      4.3.3.1. The Recruitment and replacement of human capital ...... 129
      4.3.3.2. Performance and rewards system ......................... 130
      4.3.3.3. The issue of working conditions: The attendance policy for
academics .......................................................................................... 134
4.3.3.4. Education and training and development .............................. 137

4.4. ONLINE AND DISTANCE LEARNING (key theme 2) .................. 139
4.4.1. Flexible Learning .................................................................... 139
4.4.2. Access to Education ................................................................. 141
4.4.3. Online and Distance Learning System .................................... 143
   4.4.3.1. Accredited degrees ............................................................ 144
   4.4.3.2. Learning materials ............................................................. 145
   4.4.3.3. Tutorials ........................................................................... 147
   4.4.3.4. Registration and examinations ......................................... 149
   4.4.3.5. Consultation service for students ................................... 151
4.4.4. OUI in a competitive business environment ................................ 151

4.5. STRATEGY AND CONTROL SYSTEM (key theme 3) ............... 153
4.5.1. Core Values ............................................................................ 153
4.5.2. Rules and Regulations .............................................................. 154
4.5.3. Monitoring and Evaluation ...................................................... 155

4.6. LEADERSHIP AND ORGANISATION CULTURE (key theme 4) .. 158
4.6.1. Characteristics of Leaders ......................................................... 158
4.6.2. Leadership Style in OUI: Bottom-Up Leadership ...................... 160
4.6.3. The Role of the Leaders ............................................................ 161
4.6.5. Learning Values: Lifelong Learning ......................................... 162
4.6.6. Teamwork and Freedom of Expression .................................... 163

4.7. PERFORMANCE AND VALUE ADDING (key theme 5) ............. 165
4.7.1. The Notion of Performance ...................................................... 165
4.7.2. The Quality of the System ....................................................... 166
   4.7.2.1. The capacity to provide access .......................................... 166
   4.7.2.2. The learning support system ............................................. 168
   4.7.2.3. Examination system ......................................................... 169
   4.7.2.4. Quality assurance ............................................................ 170
4.7.3. Quality of the Academic Products .......................................... 171
4.7.4. Qualifications of Academics .................................................... 173
4.7.5. Qualifications of Students/Quality of Graduates ....................... 174
   4.7.5.1. The retention of students .................................................. 175
   4.7.5.2. Course completion ........................................................... 176

4.8. CONCLUSION ............................................................................. 178

CHAPTER 5. ANALYSIS OF CASE STUDY

5.1. INTRODUCTION .......................................................................... 180
5.2. HUMAN CAPITAL IN OUI ......................................................... 180
   5.2.1. The Structure of HC ............................................................. 181
      5.2.1.1. The people ................................................................. 181
      5.2.1.2. The components of HC .............................................. 183
5.2.2. The Level of HC ................................................................. 185
5.2.3. The Function of HC .......................................................... 187
  5.2.3.1 Acquiring HC ................................................................. 188
  5.2.3.2. Developing HC .......................................................... 188
  5.2.3.3. Maintaining HC .......................................................... 190

5.3 CONTRIBUTION OF HC TO CREATE VALUE .................. 193
  5.3.1. HC in Open and Distance Learning System ................... 193
    5.3.1.1. Sociocultural context in ODL ..................................... 194
    5.3.1.2. Learning support systems ......................................... 195
    5.3.1.3. ODL system and OUI’s competitive advantage .......... 198
  5.3.2. HC in OUI’s Strategy and Control System .................... 199
    5.3.2.1. Belief system and boundary system ......................... 200
    5.3.2.2. Diagnostic control system and interactive control system ... 201
  5.3.3 Human Capital In OUI’s Leadership and Organisation Culture .... 203
    5.3.3.1. Leadership in OUI .................................................. 203
    5.3.3.2. Leadership and OUI’s organisational culture ............ 207
    5.3.3.3. OUI’s organisational culture and competitive advantage .... 211

5.4. THE CONTRIBUTION OF HUMAN CAPITAL TO DELIVER OUI’s PROPOSED SET OF VALUES ........................................ 221
  5.4.1. The Notion of Performance in OUI ................................. 221
    5.4.1.1. What is not counted as performance? ....................... 222
    5.4.1.2. What counts as performance? ................................. 222
  5.4.2. The Notion of Value Adding in OUI ............................... 227
    5.4.2.1. Value in proposition ............................................... 228
    5.4.2.2. Value-adding process in OUI ................................... 229
    5.4.2.3. Value-adding outcomes .......................................... 232
  5.4.3. Strategies to Attain OUI’s Competitive Advantage .......... 234
    5.4.3.1. Weaknesses and potential threats ......................... 234
    5.4.3.2. Strength and potential opportunities ....................... 236

5.5. CONCLUSION ........................................................................... 237

CHAPTER 6. IMPLICATIONS FOR THEORY AND PRACTICE

6.1. INTRODUCTION ................................................................. 239

6.2. IMPLICATIONS FOR THEORY: RECONCEPTUALISE HUMAN CAPITAL IN THE UNIVERSITY ........................................ 242
  6.2.1. Conceptualisation of HC .............................................. 242
  6.2.2. Value Creation of HC ................................................... 246
  6.2.3. The Proposition of HC .................................................. 249

6.3. IMPLICATIONS FOR THE PRACTICE OF HC IN INDONESIAN UNIVERSITIES ................................................. 251
6.3.1. Value Creation of HC in the University: Transforming Knowledge Capital ............................................................................................................. 251
6.3.2. Leadership and Management of Universities .............................................................. 254
6.3.3. Value-Adding Outcomes and Competitive Advantage of the University .............................................................................................................. 255
6.4. ADDITIONAL IMPLICATION FOR OUI ................................................................. 258
   6.4.1. Internal Factors in OUI ...................................................................................... 258
   6.4.2. External Factors Facing OUI ............................................................................. 261
6.5. CONCLUSION .............................................................................................................. 262

CHAPTER 7 – CONCLUSION: THESIS CONTRIBUTION, LIMITATION, AND FURTHER RESEARCH

7.1. INTRODUCTION .............................................................................................................. 264
7.2. APPROACHES TO ANSWER THE RESEARCH QUESTIONS ........................................ 265
7.3. RESEARCH FINDINGS .............................................................................................. 270
   7.3.1. The Element of HC in OUI (RQ1) ....................................................................... 271
   7.3.2. The Value Creation of HC in OUI (RQ2) ............................................................... 273
   7.3.3. The Contribution of HC to Deliver Proposed Set of Values to OUI’s Stakeholders (RQ3) .............................................................................................................. 276
7.4. CONTRIBUTION OF THE RESEARCH FOR OUI ...................................................... 278
7.5. LIMITATIONS .............................................................................................................. 280
7.6. RECOMMENDATIONS FOR FUTURE RESEARCH .................................................... 282
7.7. CONCLUDING COMMENTS ....................................................................................... 282
REFERENCE ....................................................................................................................... 284
LIST OF APPENDICES

Appendix 1. List of Interview Participants ........................................................... 316
Appendix 2. Example of Pilot-Delphi [A4] ............................................................. 318
Appendix 3. Example of Interview [B1] ................................................................. 322
Appendix 4. Example of Netnography ................................................................. 324
Appendix 5. OUI Organisational Structure ......................................................... 325
Appendix 6. OUI Students Demography ............................................................... 326
Appendix 7. OUI Performance and Rewards System ......................................... 328
Appendix 8. Human Resources Ethics Approval ................................................. 330
Appendix 9. Permission Letter from OUI ............................................................ 331
LIST OF FIGURES

Figure 1. Thesis Map ................................................................. 14
Figure 2. Organisation Chapter Two ........................................... 19
Figure 3. Human Capital Across Disciplines ................................. 21
Figure 4. Human Capital in Intangible Assets ............................... 24
Figure 5. Process and Categories of Knowledge Assets .................. 27
Figure 6. The Structure and Level of HC ..................................... 29
Figure 7. The Intellectual Capital Stages ..................................... 32
Figure 8. Theoretical Framework: Reconceptualisation of HC .......... 39
Figure 9. Value Added .............................................................. 41
Figure 10. Control System .......................................................... 50
Figure 11. The Levers of Control ............................................... 52
Figure 12. Type of Leadership and Control System ....................... 60
Figure 13. Three Dimensions of Leadership ................................. 62
Figure 14. Schein’s Level of Culture ............................................ 63
Figure 15. The Interrelationship Between the Building Blocks of Research .... 72
Figure 16. Theoretical Framework .............................................. 78
Figure 17. Diagram of Themes .................................................... 101
Figure 18. The Roadmap Chapter Four ........................................ 107
Figure 19. The Country Cultures of Indonesia ............................... 112
Figure 20. OUI Online Learning .................................................. 147
Figure 21. OUI’s Organisation Culture Based on Schein (2010) .......... 210
Figure 22. HC and the Value of Organisation ................................. 240
Figure 23. Conceptualisation of HC ............................................. 244
Figure 24. Value Creation of HC .................................................. 246
Figure 25. Value Adding Process in OUI ...................................... 249
LIST OF TABLES

Table 1. Representative Definitions of Human Capital ........................................ 22
Table 2. Three Major Themes of IC Research ...................................................... 34
Table 3. The Main Difference Between Western Nations and Indonesia
Higher Education Reform Measures ............................................................... 58
Table 4. Two Main Approaches to Studying IC and HC ........................................ 73
Table 5. Paradigms of Inquiry ................................................................. 80
Table 6. The Key Theoretical Tenets of The Ostensive and Performative
Approaches .................................................................................................. 81
Table 7. Ostensive and Performative Case Study ................................................. 85
Table 8. Coding System ‘Human Capital and Value Adding’ ............................... 103
Table 9. The Roadmap from Research Questions to Interview Questions .......... 108
Table 10. Case Study Analysis of HC and Value Adding: Interrelation
between Research and Interview Questions, Findings and Analysis
of Case Study ................................................................................................ 213
Table 11. Value in Propositions, Value-Adding Process, and Value-Adding
for Students ............................................................................................... 255
Table 12. Summary of Performative Approach of HC Research and
Contribution of HC Research for OUI ....................................................... 266
**LIST OF ABBREVIATIONS**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>OUI</td>
<td>Open University Indonesia</td>
</tr>
<tr>
<td>ODL</td>
<td>Open Distance Learning</td>
</tr>
<tr>
<td>PNS</td>
<td>Pegawai Negeri Sipil or government employees</td>
</tr>
<tr>
<td>BLU</td>
<td>Badan Layanan Umum or public service agencies</td>
</tr>
<tr>
<td>SPI</td>
<td>Satuan Pengawasan Internal or internal audit task force</td>
</tr>
<tr>
<td>DIKTI</td>
<td>Pendidikan Tinggi or The Directorate General of Higher Education of The Republic of Indonesia</td>
</tr>
<tr>
<td>BAN-PT</td>
<td>Badan Akreditasi Nasional Perguruan Tinggi or national accredited bodies for higher education institutions</td>
</tr>
<tr>
<td>ICDE</td>
<td>International Committee on Distance Education</td>
</tr>
<tr>
<td>AAOU</td>
<td>Association of Asia Open Universities</td>
</tr>
<tr>
<td>HC</td>
<td>Human Capital</td>
</tr>
<tr>
<td>IC</td>
<td>Intellectual Capital</td>
</tr>
<tr>
<td>SC</td>
<td>Structural Capital</td>
</tr>
<tr>
<td>RC</td>
<td>Relational Capital</td>
</tr>
<tr>
<td>HRM</td>
<td>Human Resources Management</td>
</tr>
<tr>
<td>ICAR</td>
<td>Intellectual Capital Accounting Research</td>
</tr>
</tbody>
</table>
CHAPTER 1. INTRODUCTION

1.1. FOCUS OF THIS THESIS

This thesis investigates human capital (HC) practice in a university (Open University Indonesia) with regard to developing HC, creating value and delivering its proposed set of values for students. Human capital (HC) is a broad area of study from psychology (Goldsmith et al., 1997; Crook et al., 2011; Martin et al., 2013) to the economics discipline (Schultz, 1971; Becker, 2009). While HC in the psychology discipline is closely linked to individual-level outcomes (Schmidt & Hunter, 1998), HC in the economics discipline focuses on the nation-level outcomes (Becker, 1962). HC in the accounting and management disciplines takes a middle-path, linking HC to organisational outcomes. Despite the prominence of HC and theoretical abstractions within those disciplines and levels, HC has been created and transformed across organisational levels (Kozlowski & Klein, 2000). HC at the organisational level is the accumulation of individuals' capabilities (Nishii, Lepak, & Schneider, 2008). Therefore, individuals’ capabilities create HC as a unit-level resource then organisational-level resource (Nyberg et al., 2014). HC as an organisational resource aims to achieve sustainable competitive advantages (Barney, 1991; Campbell et al., 2012). This thesis focus on HC at the organisational-level (Ployhart & Moliterno, 2011; Ployhart et al., 2014; Nyberg et al., 2014) as a unit of analysis.

The concept of human capital in accounting was initially introduced in the 1960s to quantify the economic value of people to the organisation (Hermanson, 1964; Brummet, Flamholtz & Pyle, 1968). In the last two decades, the accounting literature has considered the strategic importance of HC as the most valuable asset for organisations (Edvinsson & Malone, 1997; Stewart & Ruckdeschel, 1998; Chiucci & Dumay, 2015). From the perspective of intellectual capital (IC), HC is often defined as a sub-element of IC (Bukh, 2003) and a value driver of all types of capital (Flamholtz, 2009). The importance of HC as an IC category is also emphasised by Meritum (2002) and Thorbjörnsen et al. (2003) argued that the key reason to produce IC reports is to demonstrate the importance of human assets. Even though HC is
considered to be the most significant asset (Johanson, 2005), HC cannot be recognised as an “asset” (Lev et al., 2005) because HC cannot be owned by organisation due to employee turnover. (Dumay, 2015).

HC is considered to be the central element of IC (Ahonen, 2000) as people contribute to business through their competence, delivery of customer relations, and employees are the prime source of intellectual property (Fincham & Roslender, 2003). Many scholars have divided IC into three separate elements: human capital (HC), structural capital (SC) and relational capital (RC) (Stewart 1997; Edvinsson & Malone 1997; Sveiby 1997; Bontis 1998). Amongst other components of IC, HC is the only generative intangible (Petty & Guthrie, 2000). HC is a transformation driver of SC and RC in an organisation (Mayo, 2012). However, the concept of HC as a value driver and its causal relationship with other components of IC is still problematic.

The concept of HC in the ostensive approach which focuses more on valuation, reporting and causal relationship remains problematic because of measurement issues. Given the significance of HC as a key determinant of competitive advantages that create value for organisations (Lev et al., 2005), and the complex issue of HC (Dumay, 2015), this thesis focuses primarily on HC. A performative approach to HC is utilised in this thesis to answer the research questions about how HC works in a specific organisational context. HC can be enhanced by creating the right connectivity between human, structural and relational resources through appropriate activities (Johanson, 2005). HC creates vibrant enabling corporate cultures, knowledge networks, and other management development programmes in successful organisations (Roslender, 2009). This is a key driver that creates value (Chaminade & Roberts, 2003), drives competitive advantages (Barney & Clark, 2007) and determines organisational performance (Bontis et al., 2000; Marr et al., 2004; Gates & Langevin, 2010; Murthy & Mauritsen, 2011). The activities of HC that create values for organisations are further explained by synthesising the function of HC (Ployhart et al., 2014) which is further explained in Chapter Two.
Furthermore, the shift of economies in the new knowledge-intensive context not only impacts the relevance of HC as an organisational “asset” but also impacts on HC related to the education and training sector (Spender & Marr, 2005; Secundo et al., 2010). The tertiary education industry has shifted from a traditional face-to-face education mode to focusing more intensively on the use of information, technology and innovation especially in the distance learning context. This has been demonstrated by the establishment of numerous distance learning systems worldwide (Tresman, 2002). Open universities have been established not only in developed countries (such as in the UK and Canada), but also in emerging economies (such as China and India) and developing countries (such as Indonesia, Bangladesh, and Malaysia). This growth has resulted in an increase in the number of students attending virtual classes in an open and distance learning system measured through student retention and graduation (Yorke, 2004; Fozdar & Kumar, 2007). While Indonesia is the world’s fourth most populous country and Southeast Asia’s biggest economy, the country trails behind countries with smaller populations (such as Singapore and Malaysia) when it comes to the development of HC in universities.

The current trend towards digitisation and openness in tertiary education has raised issues about the potential outcomes resulting from this type of learning delivery (Lambert & Carter 2013), including the contribution of HC to creating value for universities and delivering value-adding outcomes for students. Amongst tertiary education institutions, Open University Indonesia is one of the universities in Indonesia that is representative of these conditions. OUI is a public institution financed mainly by government funding. The central role is providing access for those who are not able to further their studies in a more conventional system and also improving the qualifications of practicing school teachers. As the world is changing and the industry is shifting, the universities nowadays are more than educational institutions – they are communities, and are also businesses (Winocur & Coenen, 2013). As Lambert (cited in Winocour & Coenen, 2013, pp 70-76) stated, “the university has to decide what business it is in and what value is it adding that can perhaps give it a competitive advantage?”.
OUI has been first tertiary institution adopting the open and distance learning (ODL) system in Indonesia (PP Number 60, 1999). The ODL system enables students with limitations (such as job and/ or family commitments, year of high school completion) and those who live in remote areas undertake higher education study. Since it was first founded, there have been many changes in OUI both internally and externally. The ODL system and the government regulation about practicing school teachers (PP Number 78/2008; UU Number 14/2015) have placed OUI in an advantageous position. OUI has become one of the mega universities with over one-third of tertiary education students in Indonesia (source: Indonesia Central of Statistics Bureau, 2014). Since August 2012, OUI has become a legally independent university with the autonomy to manage its funds (from government and public funding). This has forced OUI to shift its traditional academic values which focus exclusively on an educational mission to adopting more corporate values emphasising revenue generation, cost reduction and efficient resource allocation. OUI faces challenges as the current growth of student number is relatively stagnant because the certification program for Indonesian school teachers will soon be completed. In addition, more than fifty percent of the OUI workforce is retiring by 2015 (OUI data, 2012).

The government regulation about higher education sector (UU Number 12/2012) allows conventional universities to operate in the ODL system. The highly competitive context in which OUI operates and the impact of national reforms on the education sector (UU Number 109/ 2013) and government regulations (Sulistiyono, 2007; Baunto, 2011) have forced OUI to adjust to these situations. The competition in the market have raised tensions between the university’s current capabilities (human capital and other resources) and the educational services provided and the organisational performance targets of OUI. Consequently, this raises issues about how human capital can help OUI deliver targets related to its proposed set of organisational objectives. Attempts have been made to address changes that reformulate and reshape the organisational missions. The contribution of HC to education and training sector is significant (Becker, 2009) and the characteristics of
the ODL system and the Indonesian context provide sound reasons to investigate HC practice in an Indonesia University and to utilise a performative case study of OUI.

1.2. BACKGROUND TO THE RESEARCH

This thesis is motivated by Guthrie et al. (2012) and Dumay et al. (2015) who suggested the need for a more performative (qualitative) approach to IC research in the public sector in a country specific context. This section justifies why HC is important, why HC research using a performative approach is needed and why a case study of an Indonesian university is a good way for answering the research questions.

1.2.1. HC in Intellectual Capital Accounting Research Agenda

In the knowledge-based economy with technology-driven organisations, economies have shifted from tangibles to intangibles (Ratnatunga et al., 2004). This shift has impacted on accounting research. There is a body of empirical evidence indicating that accounting research has been struggling with the valuation of intangibles (Andriessen, 2004; Tayles, et al., 2007). International Accounting Standard specify that an asset can be recognised if it is identifiable, controlled, and probable that future benefits specifically attributable to the asset will flow to the enterprise and cost can be reliably measured (IAS 38, 1998 and SFAC No 5, 1984). Meanwhile “assets” refer mainly to “acquired intangibles” rather than internally generated intangible.

Current studies have shown that public sector organisations face difficulties when trying to implement effective HC practice because of the lack of an HC framework for the public sector (Edvinsson, 2013). The minimum level of HC frameworks for the public sector encourages IC researchers to undertake empirical studies with an emphasis on case study research in specific public sector contexts. Guthrie and Dumay (2015) argues that to progress this revised agenda, practitioners and academics need to abandon grand theories of measurement and reporting, and develop what Llewellyn (2003) refers to as differentiation theories of practice. Relevant to this thesis, the theory is concerned with linking the practice of utilising HC concepts taking into account the agents (people) as a unit of analysis. In other
words, HC can be better understood if it is examined through the actual organisational practice of HC and the resultant changes within an organisation rather than attempting to link the impact of practice to a generalised outcome, such as higher profitability or the determination of a fixed value of intangibles. Thus, the use of research methodologies that take a top-bottom view of HC must be reconsidered.

The growing interest in HC has extended to public institutions including universities (Guthrie et al., 2012; Canibano & Sanchez, 2009). One example is a model for reporting and managing HC resources in European universities (Sánchez et al., 2009). However, the amount of HC information disclosed by universities in their annual reports is low (Bezhani, 2010). The minimal awareness of HC is because educational institutions are typically regulated by government regulations and procedures and do not follow entrepreneurial management models (Bornemannand & Wiedenhofer, 2014). Unlike the private sector, the public sector is characterised by asymmetric incentives that penalise unsuccessful innovations much more than they reward successful ones (Borins, 2001). The application of HC approach to assessing intangible resources is crucial for the quality of educational processes (Bornemann & Wiedenhofer, 2014), therefore, a framework for HC in higher education is required.

This indicates that accounting has not been able to meet the informational requirements of managerial leaders. The traditional accounting reporting system has a historical focus and is not able to record certain intangibles such as HC (Mayo, 2001; Guthrie et al., 2012; Dumay & Garanina, 2013). Meanwhile, measuring HC and other intangibles is problematic and complex because each organisation is unique (Dumay, 2014). One of the challenges, therefore, is to approach HC with a different lens.

1.2.2. HC in the Performative Approach

Most of IC and HC research in the IC field has been dominated by the ostensive approach. The ostensive approach focuses more on quantification and causal relationships of HC and other elements of IC. The ostensive approach investigates theory development, IC disclosure and management practices (Abeysekera, 2007; Bontis, 2001; Petty & Guthrie, 2000; Demartini & Paoloni, 2013), identification and
measurement of IC (Ratnatunga, 2004; Andriessen, 2004), reporting (Canibano & Sanchez, 2009; Bezhani, 2010; Veltri & Silvestri, 2015), internal management (Sanchez & Elena, 2006), and IC modelling (Elena-Perez et al., 2015). The ostensive research stream emphasises the generalisation of research outcomes and causal relations between elements of IC and organisational outcomes (for example, financial performance). This quantitative focus enables generalisation in order to characterise social life. However, this quantitative and causal relations focus cannot fully explain HC practices inside organisations. While the conceptualisation of HC and other components of IC is weak, the ostensive approach has not adequately accounted for the phenomenon of HC. Using the ostensive approach without significant changes in data sources, research methods or technology leads to research that does not have a significant impact on future research and practices (Dumay, 2014). The contemporary problem of HC in the IC field has questioned the results of previous studies. While the conceptualisation of HC and the value creation of HC have yet to answer, an alternative approach is needed.

The performative approach to HC research (Mouritsen, 2006; Broadker, 2010) attempts to fill this gap. This thesis is motivated by Guthrie et al., (2012) and Dumay et al., (2015) who suggest the need for more performative approach in IC research in the public sector. The performative approach to HC research aims to explain the conceptualisation of HC and value creation of HC to organisational performance because each organisation is unique and operates in a range of complex situations. While the third stage of IC research has been advocated (Guthrie, 2012; Dumay, 2013; Dumay & Garanina, 2013), and as a performative approach to HC research in a public sector is needed (Guthrie et al., 2012; Dumay, 2015), this thesis focuses on the performative approach of HC practices in OUI.

Aligned with the performative approach to HC research, a performative case study aims to unlock the significance of IC and would illustrate more effectively the power of IC practice (Hansen, 2011). A performative case study is a useful methodology for investigating the practice of HC inside an organisation and how HC is developed and
mobilised idiosyncratically towards the defined value aimed at by the organisation. The data were gathered by using semi-structured interviews and observations (including direct observations, netnography and auto-ethnography). The data were analysed by following the three mainstreams of performative approach: the concept of HC, the value creation of HC and the proposition of HC. This approach provides insights into the participants’ perceptions of HC practices in OUI by utilising a performative case study (Hansen, 2011) in the public sector (Dumay, 2014).

1.2.3. HC in the Public Sector and Higher Education Sector

Guthrie et al. (2012) advocated the need for research examining HC practice in the public sector. HC has been widely adopted by many organisations, not limited to the business sector and the public sector (Glom & Ravikumar, 1992; Carmeli, 2004; Guthrie & Dumay, 2015) but also the education sector. Although HC may be concerned superficially with value creation (Mahoney & Kor, 2015; Massingham & Tam, 2015), it helps to create changes in people's behaviour and values (Roos, 1998). HC becomes a valid strategic management conceptual framework within the public sector context in the knowledge economy. In contrast, failing to account for HC may lead to a misallocation of intellectual resources and run the risk of making poorly informed decisions which lead to weak strategic planning processes, high employee turnover, inadequate training and development, inexperienced top management teams, and inability to turn data into information in organisations.

Some scholars argue that the significance of HC in the public sector is based on a few key points (Bounfour et al., 2005): Firstly, the rapid growth of service (and intangible) activities which now contributes more than 75% of the GDP in most of the developed economies. Secondly, the dematerialisation of manufacturing activities as most industries currently invest more money in developing, distributing and marketing, and managing products than in manufacturing them (Marr, 2012). Thirdly, the industrialisation of services which changes the production mode to create continuous value for customers and enhance internal resources. Fourth, the recognition of knowledge as the primary source of competitive advantage (Nonaka &
Takeuchi (1995) which contributes to a new understanding of knowledge in organisations. Fifth, the problem of understanding value creation/efficiency and distribution from shareholder value (economy with a strong financial focus) to stakeholder value. Sixth, research indicates IC as a driver for competitive advantage (Peneder, 2003). This suggests HC as an enabling factor to generate competitive advantage.

Aligning with the rapidly changing world and the economy, the massive open online courses (MOOCs) and ODL system are also part of a major trend. Indonesia, in which the case study takes place, can adopt these systems since Indonesia has been supported by a nation-wide high-speed internet access as of the Indonesia Broadband Plan initiative (Bappenas, 2014) as well as regulation under the information and electronic transactions Act (UU Number 11/2008). Masters (in Evans et al., eds, 2013) suggested that the essential basic requirement for the virtual university is the infrastructure, for example, connectivity, computing and processing, servers and storage and a platform to enable collaboration and interactive learning as well as an appropriate and supportive legal framework.

The characteristics of MOOCs and the ODL system enable a university to acquire a large number of students. For example, Open Universities Australia has more than 250,000 students since 1993 and provides access to over 1,700 units and 180 qualifications provided by more than twenty of Australia’s leading universities and higher education providers (Wappett, 2013). OUI currently has 500,000 students (UT, data as of April 2014) or double that of open Universities Australia. The number of students also means that OUI alone has dominated with 10% of the total number of Indonesia tertiary students (currently five million), while there are more than 3000 public and private universities in Indonesia that share 90% of the total tertiary students (DIKTI, 2014). Additionally, OUI has graduated one million teacher students or 25% of teacher students in Indonesia. The figures show that the role of OUI in higher education sector in Indonesia is dominant. This makes OUI a case study site worth investigating.
Dumay (2014) adds that researchers need to change their approach by taking a performative perspective. A performative case study aims to unlock established views on the significance of IC which would illustrate more effectively the power of the practice of IC (Hansen, 2011) in the public sector as in the context of Open University Indonesia (OUI). The characteristics of the ODL system and the context of the higher education sector in Indonesia are the reasons to utilise the case study of OUI as a way for the study be conducted to answer the research questions posed in this thesis.

1.3. RESEARCH OBJECTIVE AND RESEARCH QUESTIONS

This thesis focuses on HC in the area of intellectual capital and strategic management, which the candidate was exposed to during her career as an academic in the case study organisation. Under the current accounting system HC cannot be considered to be an “asset” of an organisation. The problem is that most HC research focuses on measurement and generalisation of research outcomes (ostensive approach). This approach has not sufficiently addressed the issue of HC as an organisational asset because each organisation is unique. Thus, to improve the relevance of HC to be applied in the specific context of an organisation, a performative approach to HC research which focuses on how HC actually works inside the organisation is needed. This thesis attempts to fill this gap by investigating HC at the organisational level related to organisational outcomes from the perspective of intellectual capital and strategic management.

Given the significance of HC and the challenges that OUI faces, this thesis focused on two main research problems: first, what kind of HC creates values for the university?; second, what kind of value-adding outcomes does a university need to sustain its competitive advantage? Thus, this thesis aims to investigate HC practice in OUI with regard to the development of HC, value creating process of HC and delivering value-adding outcomes for the university’s stakeholders, especially students.

Based on these two research problems, this thesis poses three research questions:
1. What are the elements of HC embedded in HC practices in OUI?
2. How does HC create value for OUI regarding the contribution of HC to the strategic direction and the management of OUI?
3. How does HC contribute to delivering OUI’s proposed set of values for its students?

In order to help the candidate answer these research questions, a performative approach to HC research (Mouritsen, 2006; Boedker, 2010) is used. There are three major themes of the performative approach to HC research that are used in this thesis: The conceptualisation of HC, the value creation of HC and the proposition of HC. To answer the research questions, the first research question (RQ1) is synthesised into sub-questions and then HC is assessed based on its structure, level and function (the conceptualisation of HC). The second research question (RQ2) is synthesised into sub-questions to assess the work environment and how HC contributes to organisational success (HC value creation). The third research question (RQ3) is synthesised into sub-questions to assess OUI organisational performance and value-adding outcomes for students (the proposition of HC). The link between the research questions, sub-questions and the performative approach is outlined in Table 9 in Chapter Four.

1.4. CONTRIBUTION TO THE FIELD AND RESEARCH LIMITATIONS

This thesis analyses the theoretical implications of HC in the intellectual capital field and implications for HC practice in the Indonesian public sector especially in the university context. HC is considered to be a primary asset, however, HC cannot be recorded as an asset and included in the balance sheet because of valuation and measurement issues. HC cannot be ‘owned’ by the organisation because of employee turnover. Moreover, the existing framework of HC may not be applied to measure HC because each organisation is unique and operates in a specific and different context. The ostensive approach which more focuses on generalisation cannot resolve the recognition of HC and the impact of HC on organisational performance. Thus, to increase the relevance of HC to be applied in a specific context, the performative
approach suggests that HC elements are strongly structured in individual work sites and only find their meaning within each different organisational situation. For universities, the concept of HC is the elements of HC (including SC and RC) that contribute to value adding outcomes for university stakeholders. The process of creating value is more important than the valuation and measurement of HC itself. Utilising a performative approach of HC in this thesis, I argue that the value creation of HC resulted from a transformational process of personal value, social value and organisational value embedded in HC. The proposition of HC, I argue is that HC contributes to organisational performance by delivering value-adding to university stakeholders through value adding processes of organisational activities, resources and capabilities.

This thesis has limitations. First, this is a single in-depth case study in an open and distance university. Since the study investigates HC practices, it is relevant only within a particular university context. The study may provide reliable information to a broader field of research; however, it is not generalisable in a quantitative sense (Flyvbjerg, 2006; Ruddin, 2006). Second, this thesis focuses on the elements of HC of IC because HC is considered to be the most valuable asset that creates value for organisations. However, a broader consideration of other components of IC could be an area for future research.

To the best of my knowledge, this thesis is the first performative case study of HC research in higher education that uses theoretical frameworks of ICAR and strategic management. This thesis offers additional insights into HC practice in the public sector in a developing country, specifically in the higher education sector adopting an open and distance learning system.

1.5. STRUCTURE OF THE THESIS

Figure 1 shows the organisation of the thesis and the contents of specific chapters.

The structure of this thesis is as follows:
Chapter One, the Introduction outlines the background to the research, objectives of the study and related research questions, justification of the research, contribution and limitations. The chapter provides an overview of the thesis.

Chapter two presents the literature review which examines the contemporary literature related to the topic of the study that justify the research questions. The chapter then outlines the research gap in relation to the HC element in the IC field and the strategic management context of an Indonesian university. The chapter also analyses the key dimensions of HC. The emergent concept is recognised as a key dimension of HC and found to be relevant to the findings in the context of OUI. In the subsequent chapters, this outcome was reviewed to confirm and validate the findings. The chapter has enabled the researcher to identify theoretical propositions relevant to HC within the intellectual capital and strategic management literature. This led to the clarification and identification of the main research problem of this thesis, and subsequent research questions and sub-research questions.

Chapter three details the research design and methodology utilised to address the research questions and sub-research questions. An overview is provided, covering the varying ontological and epistemological perspectives. Further, the choice of a specific paradigm is justified. The chapter provides a justification for using a qualitative approach in this study. A detailed explanation of the performative case study approach and its relevance to this study follows. The chapter then details the data collection and analysis procedures, and identifies the methodological appropriateness of using interviews in the research setting. The details of how the researcher established the research reliability and triangulation of findings are also provided.

Chapter four presents the findings generated by the data. This chapter also reviews the context in which the study was conducted and the details of the case study organisation used including a profile of the OUI in its relevant context. The research findings are clustered by themes based on the data gathered from interviews and integrated with the body of literature reviewed during the initial stage of the research.
The findings from the interview data are followed by an auto-ethnography analysis at the end of Chapter four.

Figure 1. Thesis Map

Chapter five analyses the case study findings in relation to the thesis research questions. This chapter explains the findings and key themes identified by the participants. The case study is analysed based on the connections between the key themes from the research findings and relevant theories. The case analysis provides further insights into issues concerning human capital practices in OUI and relevant literature identified in Chapter two.

Chapter six discusses the implications of the research for theory and practice. The thesis suggests solutions to mitigate the research problem and provides answers to the research questions and sub-questions. Ultimately, this chapter discusses the implications for further research in this field. The thesis utilises the three streams of
the performative approach to HC research: conceptualisation of HC, the value creation of HC and the proposition of HC. Thus, the chapter explains the concept of HC, the value adding process in the university and the impact of HC on organisational performance by utilising theories of human capital, resources based theory and levers of control. More importantly, the chapter provides evidence that human capital in a public university is multi-dimensional.

Chapter seven concludes the thesis and reflects on the research by summarising the useful insights on HC practice in OUI as well as outlining the limitations of this thesis and challenges for future research. The chapter also identifies the limitations of the study. The objectives of the chapter are to re-state the research problem, research questions and sub-questions, and key research objectives and revisit the significance of the research as stated in Chapter One.

1.6. DEFINITION OF KEY TERMS IN THIS THESIS

1.6.1. Intellectual Capital

Intellectual capital (IC) refers to a set of intangible resources that determine the value of an organisation, including human capital, structural capital and relational capital (Stewart 1997; Edvinsson & Malone 1997; Sveiby 1997; Bontis 1998). Thus, intellectual capital accounting research or intellectual capital is one of the accounting domain focusing on how intellectual capital as intangible asset is developed, creates value and contributes to organisational performance.

1.6.2. Human Capital

Human capital (HC) refers to an organisational resource that is created from individuals’ knowledge, skills, abilities, and other characteristics (Ployharts & Moliterno, 2011) that can be leveraged to achieve sustainable competitive advantage (Barney, 1991).

1.6.3. Unit-Level Resource

From the organisational perspective, HC can be accumulated from individual resource and can contribute to sustained competitive advantage (Coff, 1997, 1999;
Wright, McMahan, & McWilliams, 1994). Thus, unit analysis in this thesis is HC at an organisational-level or unit-level rather than HC at an individual level.

1.6.4. Performative Approach

The term *performativity* originally refers to the capacity to communicate or to construct and perform an identity. In the performative approach, knowledge is the product of individual cognition which is created by people, not the function of reacquaintances of universals (Latour, 1986).

1.6.5. Performative Approach to HC Research

Performative approach to HC research refers to a qualitative approach, which enables a deeper understanding of the phenomena of HC by following the voice of the actors. This thesis follows Mouritsen (2006) who suggested the needs to uncover the concept of HC, the value creation of HC and the value proposition of HC through narrative, rather than quantification and generalisation.

1.6.6. Performative Case Study

A case study is a strategy where qualitative inquiry dominates, with strong naturalistic, holistic, cultural, phenomenological interests (Denzin & Lincoln, 1994). This focuses on understanding the dynamic present within single settings (Huberman & Miles, 2002) because each organisation is unique. Thus, a performative case study is based on performative realism, that builds upon the assumptions that reality is continuously translated or constructed by actors in practice (Latour, 1986, p 272). Actors in this thesis are the university stakeholders: academics, tutors, management, specialists, administration staff and students.

1.6.7. Value Adding

Value-adding outcomes refer to additional benefits or additional outcomes provided by the university to its stakeholders which are beyond the expectation of stakeholders. While stakeholders in this thesis refer to the groups of staff, management, students, community and government, students are targeted stakeholders into receive specific value-adding outcomes.
1.6.8. University

A university is a publicly (or privately) funded institution of higher (or tertiary) education and research which grants academic degrees in various subjects and typically provides undergraduate education and postgraduate education. In this thesis, university refers to the case study site, the Open University of Indonesia (OUI).

1.7. CONCLUSION

This chapter has provided an overview of the thesis and outlined the background of the study and detailed the justifications for conducting this research. The chapter presented the research questions, followed by the anticipated benefits of the study. An explanation of the performative approach used in this thesis was also outlined, followed by an overall description of the structure and organisation of the thesis. This chapter has also provided an overview of human capital in the university context in Indonesia, highlighting five key dimensions, and then defining various key terms used throughout the research.

The next chapter reviews the literature, and provides an in-depth analysis of human capital in intellectual capital research agenda from the perspective of strategic management.
CHAPTER 2 LITERATURE REVIEW

2.1 INTRODUCTION

HC is regarded as the most valuable asset in an organisation (Cascio, 1991; Flamholtz, 2012; Fulmer & Ployhart, 2013; Mayo, 2016). This thesis focuses on the HC element within the intellectual capital (IC) field analysed using a performative case study at OUI. This chapter identifies contextual factors underlying this study and reviews the related research literature. Thus, the literature review is organised into four main sections: first, the concepts and theories underpinning HC (section 2.2); second, the paradigm applied in this thesis (section 2.3); third, HC at the organisational level including the strategy and control systems (section 2.4); fourth, HC in the university context (section 2.5) including leadership and organisational culture as well as performance and value adding in the university. The organisation of chapter two is depicted in figure 2 below.

Figure 2. Organisation Chapter Two

HC concepts and theories

Performative approach of HC

HC in Strategy & Control System

HC in OUI
2.2 HUMAN CAPITAL

This section discusses human capital and the emerging key issues related to the concept of human capital. Human capital in this thesis is analysed at the unit-level or organisational-level.

2.2.1 Key Concepts

Adam Smith in his seminal book “The Wealth of Nations”, published in 1776, defined human capital as:

The acquisition of such talents, by the maintenance of the acquirer during his education, study or apprenticeship, always costs a real expense, which is a capital fixed and realised, as it were, in his person. Those talents, as they make a part of his fortune, so do they likewise that of the society to which he belongs (p.212).

In the modern neoclassical economic era, the concept of human capital was extended in ‘the investment of human capital related to personal income distribution’ (Mincer, 1958), acquisition of knowledge and skill that have economic values (Schultz, 1961), and increase workers’ productivity (Becker, 1962). In the education sector, Schultz (1989) also introduced the idea of educational capital, an offshoot of the concept of human capital, relating specifically to investments made in education that refers to educational goods that are converted into commodities to be bought, sold, withheld, traded, consumed, and profited from the educational system. Despite their differences, their views are quite similar, that human capital is valued by the market because it potentially increases organisational profit (Barney & Clark, 2007).

Human capital has been extended beyond the basic domain of economic theory to other social science disciplines, such as accounting, psychology, strategic management, and intellectual capital as depicted in Figure 3 An economic perspective defines human capital broadly as the skills, knowledge, and capabilities of the workforce based on the argument that these are critical inputs to production. While human capital in the psychology stream emphasises HC in individual-level analyses. The accounting and management stream focus more on organisational outcomes.
The concept of human capital in accounting was first introduced to quantify the economic value of people to the organisation. Many concepts have been suggested, such as human resource costing and accounting (Brummet, Flamholtz & Pyle 1968), utility analysis for estimating the financial value of employees (Cronbach & Glaser 1965) and cost-benefit analysis of human resources (Gröjer & Johanson 1998). The intangible asset monitor (Sveiby, 1997) was then developed from the invisible balance sheet (Sveiby, 1989) and balance scorecard (Kaplan & Norton, 1992). This suggests non-financial indicators reflecting growth and renewal, efficiency and stability in the areas of customers (external structure), organisation (internal structure), and employees (competence) – placing HC at the center of organisational performance. The HR scorecard (Becker et al., 2001) was then introduced using the four perspectives of the balanced scorecard (finance, customers, internal processes, and learning and growth) to link people with strategy and performance. Thus, the relationship between people and their activities to strategic objectives and the impact on business performance enables us to understand how HC creates value (Becker et al., 2001, p. 4). In this thesis, the contribution of HC to organisational performance is explained by linking HC and associated activities to deliver value-adding outcomes for university’s stakeholders.

The topic of HC can also be discussed from the individual-level (the creation of value by an individual), from the organisational level (the creation of value by an organisation), and from the macroeconomic perspective (the creation of wealth by a community or a nation). In this thesis, HC is viewed from the organisational level or unit-level, which is further explained in section 2.2.5.
2.2.2 Definitions of Human Capital

There are various definitions of HC as presented in Table 1 below.

**Table 1. Representative Definitions of Human Capital**

<table>
<thead>
<tr>
<th>Author</th>
<th>Definition</th>
<th>Level of Analysis</th>
<th>Disciplinary Origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Becker (2002:3)</td>
<td>Knowledge, information, ideas, skills and health of individuals.</td>
<td>Individual</td>
<td>Economics</td>
</tr>
<tr>
<td>Youndt and Snell (2004: 338)</td>
<td>Individual employees’ knowledge, skills, and expertise.</td>
<td>Individual</td>
<td>Strategic HRM</td>
</tr>
<tr>
<td>Huselid, Jackson, and Schuler (1997: 171)</td>
<td>Employees’ collective knowledge, skills, and abilities</td>
<td>Organisational</td>
<td>Strategic HRM</td>
</tr>
<tr>
<td>Kor and Leblechici (2005: 968)</td>
<td>Organisations’ strategic HC such as professionals with specialised knowledge and expertise</td>
<td>Organisational</td>
<td>Strategy</td>
</tr>
<tr>
<td>Ployhart and Moliterno (2011: 127-128)</td>
<td>A unit-level resources that is created from the emergence of individuals’ knowledge, skills, abilities and other characteristics (KSAOs)</td>
<td>Organisational</td>
<td>Psychology/Strategy</td>
</tr>
<tr>
<td>Somaya, Williamson, and Lornkova (2008: 936)</td>
<td>Cumulative knowledge, skills, talent, and know-how of the organisation’s employees</td>
<td>Organisational</td>
<td>Strategy/Knowledge based view</td>
</tr>
<tr>
<td>Wright and Mc Mahan (2011: 95)</td>
<td>The aggregate accumulation of individual HC that can be combined in a way that creates value for the unit</td>
<td>Organisational</td>
<td>Strategic HRM</td>
</tr>
<tr>
<td>Mayo (2012)</td>
<td>Social capital, emotional capital, relationship capital, knowledge capital to create more value for organisation</td>
<td>Organisational</td>
<td>Accounting</td>
</tr>
<tr>
<td>Ployhart &amp; Moliterno (2011)</td>
<td>A unit-level resource that is created from the emergence of individuals’ knowledge, skills, abilities, or other characteristics.</td>
<td>Organisational</td>
<td>Strategic HRM</td>
</tr>
<tr>
<td>Flamholtz and Randle (2012)</td>
<td>Ultimate strategic asset which is formed by the organisational culture as the third element of HC</td>
<td>Organisational</td>
<td>Accounting</td>
</tr>
<tr>
<td>Crook, Todd, Combs, Woehr, and Ketchen (2011: 444)</td>
<td>Knowledge, skills, and abilities (KSAs) embodied in people</td>
<td>Organisational/Individual</td>
<td>Strategy</td>
</tr>
</tbody>
</table>
There is a widely acknowledged view that individuals possess a set of skills, knowledge, and experiences that can be leveraged for their personal or organisational benefit (Ployhart & Moliterno, 2011). HC in this thesis refers to unit-level or organisational capabilities that are leveraged from individual capacities accessible for unit-relevant purposes to create value for the organisation and attain a competitive advantage (organisational outcomes). In the next section, HC as part of intellectual capital (IC) field is discussed.

2.2.3 Human Capital as a Key Element of Intellectual Capital

Human capital (HC) is a complex web of intangible resources, while intangible resources include intellectual capital (IC) and other intellectual assets as depicted in Figure 4 below.

Amongst the intangible assets, HC is regarded as the most critical element of intellectual capital (IC). IC includes all forms of intangibles; it is the combination of human, structural and relational resources of an organisation (Sveiby, 1997; Sanchez et al., 2000; Choo & Bontis, 2002). While IC can be categorised into human capital and organisational capital (Petty & Guthrie, 2000), human capital (HC) is argued to be the primary component of intellectual capital (Edvinsson & Malone, 1997; Stewart, 1997; Armstrong & Taylor, 2014) that create value for organisation (Ulrich, 2013; Massingham & Tam, 2015). HC can be described as the organisation’s collective capability to extract the best solutions from the knowledge of its individuals. This represents the tacit knowledge embedded in the minds of people in organisations (Choo & Bontis, 2002). While IC is a critical
source and a key determinant of competitive advantages, economic success and value creation in organisations (Lev et al., 2005), HC is the most critical asset to achieve and sustain competitive advantage.

**Figure 4. Human Capital in Intangible Assets**

![Diagram of Intangible Assets]

Source: Mayo (2012, p 34)

HC is defined by Meritum (2002) as the knowledge that employees take with them when they leave the organisation and includes knowledge, skills, experience and abilities of people. Some of this knowledge is unique to the individual, and some is generic. Knowledge generation and transfer are essential sources of an organisation's sustainable competitive advantage, but this essentially depends on individuals' willingness to be involved. As such, if human capital can suggest the economic potential of individuals within an organisation, it is also true that the outcomes are intimately connected to motivation. Therefore, managing the motivation for developing competitive advantage is also an important aspect. While HC is embedded in people, organisational capital can be obtained by any organisation.

Organisational capital (OC) consists of business processes and systems, commitments to rules, norms and relationship that enable tangible and intangible assets which are inert by themselves to be productive. OC is also sub-divided into structural capital (internal) and relational capital (external). Structural capital (SC) then becomes a supportive infrastructure for HC. SC is defined as the pool of knowledge that stays with the organisation at the end of the working day after individuals have left (Sanchez et al., 2000). This comprises a combination of the
organisational routines, procedures, systems, databases, process manuals, strategies, routines, organisational culture, publications and copyrights (Ordonez de Pablos, 2004) that create value for organisations (Chen et al., 2005; Cuganesan, 2005). Some of the elements may be legally protected and become intellectual property rights, legally owned by the organisation under separate title. Examples include organisational flexibility, a documentation service, the existence of a knowledge centre, the general use of information technologies, and organisational learning capacity.

Relational capital (RC) is defined as all resources linked to the external relationships of the organisation which includes customers, suppliers or research and development partners (Sanchez et al., 2000). This comprises that part of human and structural capital dealing with the company's relations with stakeholders (investors, creditors, customers, and suppliers) plus the perceptions that they hold about the company. Examples include image, customer loyalty, customer satisfaction, links with suppliers, commercial power, negotiating capacity with financial entities, and environmental activities. RC refers to end users's satisfaction and loyalty to the organisation. For any business to grow strong and healthy, satisfying stakeholder groups is a necessary condition. While long lasting relationships are one of the sources of competitive advantage (Snehota & Håkansson, 1995; Campbell et al., 2012), internal customer satisfaction, motivation and commitment have greater influence on external customer satisfaction, loyalty and retention which leads to organisations achieving higher levels of productivity (Kaplan & Norton, 2004; Kohtamaki et al., 2013). RC characterises an organisation's formal and informal relations with its external stakeholders and the perceptions that it holds about the organisation, as well as the exchange of knowledge between the organisation and its external stakeholders (Bontis, 1998; Grasenick & Low, 2004). RC is, therefore, important to an organisation because it acts as a multiplying element creating value for the organisation by connecting HC and SC with other external stakeholders (Ordóñez de Pablos, 2004b; Liu et al., 2010). Although these are important components of IC, this thesis focuses on HC as the primary component of IC which is discussed further in the following sections.
2.2.4 The Components of HC

According to Mayo (2001), human capital can be classified into four main categories: social capital, emotional capital, relational capital and knowledge capital. Social capital includes all activities that promote social relations such as project teams, working groups and seminars. People can be mobilised into groups to create new intellectual capital. They will work together if they trust each other and are enthused by the work itself. Emotional capital such as passion, obsession, motivation, desire, innovation and knowledge is critical in creating products and services and relationships which can then produce lifetime loyalty from key stakeholders such as customers. This emphasises the need to harness intellectual assets through beliefs, enthusiasm, and passion. Relational capital describes the network relationships that exist within and beyond an organisation that make it function effectively. Knowledge capital is the major contributor to organisation values, where human, customer and structural elements all work together in a positive environment of organisational learning to produce this knowledge capital (Saint-Onge, 1996). Knowledge is a major component of overall intellectual capital, which is intricately linked with human capital. However, what constitutes knowledge is different.

Knowledge at organisational level is created, resulting in knowledge capital or knowledge assets (Nonaka & Takeuchi, 1995). Knowledge that is accumulated from outside is shared widely within the organisation, stored as part of the organisational knowledge base and utilised by those engaged in developing new technologies and products. This internal and external activity that fuels continuous innovation, in turn, leads to competitive advantage. There are continuous processes involved to convert tacit knowledge into explicit knowledge which then becomes knowledge assets, as shown by Figure 5 below.

According to Nonaka and Takeuchi (1995), there are two processes involved that convert tacit to explicit knowledge, and can then transfer this knowledge from the individual level to the unit-level. Tacit knowledge is 'extracted' to become explicit knowledge, and explicit knowledge is 're-internalised' to become tacit knowledge. To transfer tacit knowledge from the individual level to the unit level, the process
starts to bring together tacit knowledge through shared experiences. Since tacit knowledge is context-dependent and hard to express, the key is to share experience through joint activities on a teamwork basis, which is termed as socialisation.

**Figure 5. Process and Categories of Knowledge Assets**

<table>
<thead>
<tr>
<th>Tacit knowledge</th>
<th>TO</th>
<th>Explicit knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socialisation process:</td>
<td></td>
<td>Externalisation process:</td>
</tr>
<tr>
<td>Tacit knowledge through common experiences such as skills and know-how of individuals - care, love and trust - energy, passion and tension (<em>Experiential knowledge assets</em>)</td>
<td></td>
<td>Explicit knowledge articulated through images, symbols and language such as product concepts, design, brand equity (<em>Conceptual knowledge assets</em>)</td>
</tr>
<tr>
<td>Internalisation process:</td>
<td></td>
<td>Combination process:</td>
</tr>
<tr>
<td>Tacit knowledge routinised and embedded in actions and practices such as know-how in daily operation, organisational routines and organisational culture (<em>Operational knowledge assets</em>)</td>
<td></td>
<td>Systemised and packaged explicit knowledge such as documents, specifications, manuals, databases, patents and licences (<em>Systemic knowledge assets</em>)</td>
</tr>
</tbody>
</table>


To convert tacit knowledge to explicit knowledge, the process continues to extract valuable parts of tacit knowledge and express them in a stable form that is understood by other individuals. The extraction of tacit knowledge is called externalisation. Externalisation is a purely individual process and is a fundamental element of knowledge creation. When tacit knowledge is made explicit, knowledge becomes crystallised at which point it can be shared with others and can be made the basis for new insights (Nonaka et al., 2003, p. 495).

According to Mayo (2012), HC includes personal value and social value. Personal value refers to individual characteristics (a set of behaviours, skills, competencies, knowledge, experience) embedded in an individual person. Meanwhile, social relations and networks are embedded in people collectively as part of the social structure that exists within, and beyond, an organisation that makes it function effectively.
In management literature, Flamholtz and Randle (2012) recognise organisational culture as the third element that forms human capital. Organisational culture refers to a set of shared assumptions that guide what happens in the organisation by defining appropriate behaviors for various situations. In an accounting sense, organisational culture is an asset, something of value owned or controlled by an organisation and can impact earnings (Flamholtz, 2005). These three elements of personal values, social values and organisational values are embedded in human capital, which is further discussed in Chapters Four, Five and Six.

Ployhart et al. (2014) decompose HC into structure, level and function, based on multi-disciplines of economics, strategy, human resources (HR), and psychology. The next section focuses on the structure of HC and the level of HC to gain an understanding of the content of HC and at which level HC does exist. The terminology of ‘individual capabilities’ in this thesis is used to explain the terminology of knowledge-skills-abilities-other characteristics (KSAO’s) used by Ployhart et al. (2014) and the terminology of human capabilities used by Mayo (2012) emerging from this literature review.

2.2.5 Structure, Level and Function of HC

The structure of HC explains 'what human capital is' and the latent content such as skills, education, health (Becker, 2009). The level is 'at which level the human capital exists', whether it is at the individual level or unit-level (group level or organisation level) (Ployhart & Moliterno, 2011). Researchers have different ways of conceptualising the level, content, theoretical framework, and the relationships between human capital and the outcomes (such as value-creating) (Nyberg et.al., 2014). The level of HC can also be articulated in strategy and organisational theory literature (Ployhart & Moliterno, 2011; Wright & McMahan, 2011). Ployhart et al. (2014) clustered the structure of HC into a dual level analysis: the individual-level and the unit-level as depicted in Figure 6.

At the individual level, HC is defined as a combination of four elements: genetic inheritances, education, experience and attitudes about life and business (Hudson, 1993). Ployhart et al. (2014) argued that there are three subsets. Individual capabilities (knowledge, skills, abilities and other characteristics) are the subset of
individual differences that are relatively stable. Individual capabilities include stable cognitive (such as ability) and non-cognitive (such as personality), situational constructs (such as motivation and attitudes) and physical characteristics (such as strength) (Guion, 2011; Murphy, 2012). These individual capabilities are, in turn, linked to individual-level outcomes such as performance and turnover (Wright & Boswell, 2002). However, the situationally specific variables (such as attitudes, satisfaction, motivation, emotion) are individual differences that have intra-psychological origins; they are not considered as individual capabilities (Ackerman & Heggestad, 1997; Murphy, 2012). Individual capabilities are valuable but not just for economic purposes (Ployhart et al., 2014). Human capital is a subset of those individual capabilities that are relevant for achieving economic outcomes. The assumption is based on the premise that capital is a stock of wealth that produces a flow of income (Fisher, 1906 in Nerdrum & Erikson, 2001). While human capital exists only at the individual level, the human capital resource is accessible at the unit level for producing outcomes (Jiang et al., 2012).

Figure 6. The Structure and Level of HC

Source: Robert Ployhart et al. (2014, pp.371-388)

At the unit-level there is one sub-set. Strategic human capital resources are individual or unit-level capabilities and is a subset of human capital resources relevant for unit-level competitive advantage. The terminology of ‘human capital’
is used in this thesis to explain the terminology of human capital, human capital resources, or strategic human capital resources as used by Ployhart et.al. (2013). The unit-level constructs are based on people (what they do, what they are, or what they know) and are a complex mix of individuals acting and interacting to produce outcomes (Felin et al., 2012). The organisational perspective focuses primarily on HC as a unit-level resource and is a source of strategic innovation renewal (Bontis, 1998) that can contribute to sustained competitive advantages (Coff, 1999; Wright et al., 1994; Wright et al., 2014). Individual capabilities are related to an individual’s performance on the job; the aggregations of individual capabilities will add value to the organisation (Schmidt & Hunter, 1998). However, there is limited theory to support the relationship between individual capabilities and unit-level performance even though the relationship exists (Schneider, et al., 2000; Wright et al., 2011; Crook et al., 2011). This thesis focuses on human capital at the unit-level analysis that is relevant for organisational performance and competitive advantage.

The function of HC explains 'what human capital resources do' and their consequences such as acquiring HC, developing HC and maintaining HC. A fundamental role of human resources management consists of the maintenance and growth of human capital including getting the best people, keeping the best people and growing the best people (Armstrong & Taylor, 2014). Best people refers to the human capital because not all human resources in the organisation are considered to be human capital (Mayo, 2012). Since each individual is a potential asset and resource, the most important aspect in the acquisition of new HC is to select and recruit people who contribute effectively to the organisation's stock of capability, experience, knowledge, and have potential to grow (Schneider et al, 2000). To be successful in attracting the best people, management needs to ensure that the potential applicants perceive the organisation to be worth joining. Some measures of the influences on successful acquisition management include employer branding amongst others, whether the organisation is seen to be attractive or unattractive, the retention rate of current staff and the acceptance rates of potential staff (Mayo, 2012). Thus, acquiring specific know-how, experience, and know-who capabilities will add to the current stock (Groysberg &
Lee, 2009). Nevertheless, there are some particular skills and attributes that the value-creating organisation would seek in any recruit: The commitment to continuous learning and the ability to learn effectively, the commitment to continuous innovation, the commitment to personal knowledge management, and the commitment to continuous change (adaptable, flexible, improvement seeking) (Schmidt & Hunter, 1998; Schinkel et al., 2013).

In the next section, the paradigm applied in this thesis, the performative approach to HC research is discussed.

2.3 PERFORMATIVE APPROACH TO HC RESEARCH

In this section, HC and the applicable paradigm is analysed, highlighting key issues related to HC in IC research. Current research within the ostensive approach has not resolved these dilemmas. This thesis attempts to fill this gap by offering a performative approach to HC research through the conceptualisation of HC, the value creation of HC and the proposition of HC. To gain a deeper understanding of why a performative approach is chosen for this study, the development of IC research underlying the topic of HC is also discussed.

2.3.1 Human Capital in IC Research: From Measurement to Management Paradigm

There have been two waves in the development of intellectual capital accounting (IC) research. These are the measurement and the management approaches (Roslender & Fincham, 2004; Mouritsen & Larsen, 2005; Dumay, 2009). Guthrie et al. (2012) propose four stages of IC: development of IC, measuring and reporting of IC, nourishing IC and towards IC as an ecosystem as depicted in Figure 7 below. This thesis aims to fill the gap that occurred in the third stage of IC research towards the fourth stage of IC research (Dumay, 2013; Dumay & Garanina, 2013).

In the first wave of this development of IC research, the measurement paradigm aims to understand the innate value of IC (Brummet & Flamholtz, 1968; Roos & Roos, 1997) and to measure key IC components (Edvinsson & Malone, 1997; Bontis, 2001) including HC. Thus, the measurement and valuation of IC attempted to represent and assess shareholders’ future value (Mouritsen et al.,
Consequently, a number of empirical studies depicted the relationships between IC and economic value from a cause and effect perspective, particularly about IC's contribution towards increased market value (Pulic, 2004; Chen et al., 2005; Nimtrakoon, 2015).

**Figure 7. The Intellectual Capital Stages**

<table>
<thead>
<tr>
<th>1st stage: Developing IC</th>
<th>2nd stage: Measuring &amp; reporting IC</th>
<th>3rd stage: Nourishing IC</th>
<th>4th stage: IC as ecosystem</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to the mid 1990’s: to make invisible ‘visible’ (Stage 1)</td>
<td>Accepted terminology of IC &amp; Classification of IC (Stage 2)</td>
<td>Begin in 2004: Strengthen IC practices inside organisation (Stage 3)</td>
<td></td>
</tr>
</tbody>
</table>

Paton, 1922
Hermanson, 1964
Hekemian & Jones, 1967
Likert, 1967
Brummet et al., 1968
Flamholtz, 1971, 1974

Bontis, 1998
Edvinsson & Malone, 1997
Mauritsen, 1998
Sveiby, 1997
Pulic, 1998
Stewart, 1997
Petty & Guthrie, 2000

Marr & Chatzkel, 2004
Mauritsen's 2006
Mauritsen & Roslander, 2009
Dumay, 2009, 2013
Broadker, 2010
Guthrie, 2009, 2012

Countering these simple conceptions of cause-and-effect, there was growing evidence that the inter-relationships between IC components and value creation were far more complex, suggesting that an examination of IC in action may be more effective and rewarding (Cuganesan, 2005). Comparing physical and financial capital enables the identification of the inter-relationships between an organisation's IC components and value creation. There are four main reasons that account for this. First, IC is invisible in nature, making it difficult to examine, analyse and measure (Mauritsen, 2003). Second, IC value creation is driven by various interactions between its different elements (Cuganesan, 2005). Third, the
The non-additive nature of IC (Chatzkel, 2003) means it is difficult to know if investing in IC leads to enhanced value as higher levels of IC do not necessarily translate into profits (Dumay, 2010). Finally, the economic value consequences of IC are indirect and often visible only in the medium to long term (Brennan & Connell, 2000; Guthrie & Abeysekera, 2006). Therefore, measurement-based approaches as a means of signifying future value are not relevant to the growing recognition and appreciation of these complexities.

The second wave of research is concerned with the transition from measurement to management of the use of information in IC reports. This management paradigm emerged with a focus on the usefulness of IC in the management of decision-making processes (Collier, 2015). The literature was concerned with the development of control over IC resources. Thus, managers could decide which IC resources are worthwhile developing. Three aspects of the developments in the second wave are of relevance to this thesis: the need to embrace HC as part of an organisation’s intellectual assets, the contribution of HC to the strategic decision-making process to improve its relevance, and the subsequent impact on organisational performance.

This thesis focuses on the third stage of IC research and draws on a performative approach to investigate how HC is developed and managed in an organisational context (Mouritsen, 2006; Dumay, 2009).

2.3.2 HC in IC Research: From Ostensive to Performative Approach

Most of IC research has adopted the ostensive approach while only a small number of studies adopt a performative perspective (Dumay & Garanina, 2013). The ostensive approach focuses on quantification through valuation and measurement of IC and causal relationships between elements of IC (Mouritsen, 2006). Balanced Scorecard (Kaplan & Norton, 1992), contingency theory (Islam & Hu, 2012), positivist theorists (Ittner & Larcker, 2003), intellectual capital disclosure (Bozzolan et al., 2003) are prime examples of the ostensive approach. The ostensive approach mainly consists of desk-bound activities because of its relatively easy access to materials (Iannacci & Hatzaras, 2012). Thus, it simplifies the complexity of research through its quantitative focus and allows the
aggregation of many data points to construct generalisations. However, the assumption that stability, orderliness and predictability characterise social life is not often the case in practice. Continuously using ostensive approach as shortcuts without significant changes to the data sources, research methods or technology leads to research with little impact on future research and practice (Chiucchì & Dumay, 2015).

There is an option that is more readily concerned with understanding IC as a concept, not just analysing the boundaries of the IC elements and their interrelationships between activities. A performative approach to social life (Latour, 2005) has been proposed by a number of scholars in the accounting field to offer critical insights into the current state of play of IC research (Dumay, 2014a, 2014b).

The performative lens posits that accounting is designed to follow and implement predefined outcomes (Boedker, 2010). This approach challenges the linear assumptions of ‘best fit’ and suggests that the world is often a messy place where prediction and linear pathways are not always possible. IC is, therefore, seen to be an emergent concept and evolving as it is undertaken by intangibles such as human capital, structural capital and relational capital that are difficult to measure. The performative approach is more time consuming and allows researchers to interact with rather than observe IC in practice (Hansen, 2011). Therefore, by examining routines and practices of IC inside organisations, performative approach grants greater insights into the complex and unpredictable aspects of IC.

To understand the motivation for choosing this particular approach, it is useful to understand the difference between the two approaches to HC and IC research (Mouritsen, 2006) as depicted in Table 2. below.

<table>
<thead>
<tr>
<th>Theme</th>
<th>Ostensive Approach</th>
<th>Performative Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>IC is related predictably to knowledge and value objects and objectives in a preset model.</td>
<td>IC is part of a configuration of knowledge management and actively mobilised to condition effects.</td>
<td></td>
</tr>
<tr>
<td>Questions about how IC works in an organisational</td>
<td>IC, knowledge and strategy are linked through causal mapping and related to</td>
<td>IC is mobilised idiosyncratically in attempts to make a knowledge-based</td>
</tr>
</tbody>
</table>

**Table 2. Three Major Themes of IC Research**
or social context | effects of IC on value creation | organisation perform towards endogenously defined values |
--- | --- | --- |
**IC concepts**. Questions about how IC elements are to be understood and analysed | IC consists of human, organisational and relational capital each of which has functional qualities, thus, value-generating assets not visible in the organisation’s balance sheet. IC has descriptive qualities and measurement is essence. | IC is a representation of knowledge resources whose transformative qualities emerge in an application. IC has qualification qualities and measurement is conventional. |

<table>
<thead>
<tr>
<th>Value of IC. Question of how IC is related to value creation</th>
<th>Risk and return</th>
<th>Strategic values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Predictive information</td>
<td>User values</td>
<td></td>
</tr>
<tr>
<td>Market to book</td>
<td>Ability to accomplish something</td>
<td></td>
</tr>
</tbody>
</table>

Source: Mouritsen (2006, p. 830)

Utilising Latour's (2005) theory, the ostensive definition of IC posits that the IC elements are fundamental drivers and more important than actors' concrete activities. The IC elements are connected to value creation and organisational results in a fundamental way. Therefore, research aims to uncover this formula through generalisation and testing. On the other hand, the performative definition of IC emphasises the mobilisation of IC elements over their existence. IC gains its identity by its relations to other entities and works differently in different situations. Thus, there is no fundamental formula to understand the role of IC in organisations and the society. This has some consequences for the theorisation of IC, as Mouritsen (2006, p. 830) argued,

… while the ostensive looking for (generalisation), the performative insists that IC is has come in the specific context of situation;

While ostensive look for fundamental relations and paths between elements of IC and further towards the performance of the organisation or the capital market, the performative look for how actors mobilise IC elements, how the IC elements are connected and allowed to do certain things but not other things. Thus, it emphasises on the actors instead of the IC elements;

While the ostensive ask how IC is a stable resource that can be associated with predictable effects (prediction), the performative concern with how IC elements are mobilised and related to effects that themselves are invented in the network where IC is given meaning.
These principles make it possible to consider how research into IC can happen in a more meaningful way and provide answers to big questions of how IC works in organisations, what IC is composed of and how IC is related to value.

This suggests that the current blueprints for making IC work are overly simplistic. IC research has to be improved by clarifying concepts, motives and methods of IC theory (Marr et al., 2003; Andriessen, 2004; Bontis, 2001). Otherwise, IC research could lose credibility if researchers fail to produce further research that tests theories put forward rather than theory building. The key concern of current IC research is then to move beyond this earlier stage of the measurement of intangibles and testing causal relationships between IC elements and organisations’ financial value (Mouritsen, 2006). The theoretical concern is, therefore, a preference for testing more effective relationship between IC theory and actual effects on organisational decision-making and performance. This thesis adopts the performative framework to IC research (Mouritsen, 2006) into HC. By utilising this approach, this thesis attempts to answer the research questions around the topic of HC through the conceptualisation of HC, value creation of HC and proposition of HC.

2.3.2.1 The Conceptualisation of HC

The conceptualisation of HC attempts to answer questions about how HC elements are related and understood. The ostensive approach emphasises measurement and valuation whilst the performative one focuses on the narrative to assess the relevance of HC. IC elements comprises human, organisational and relational capital (Edvinsson & Malone, 1997; Sveiby, 1997) which are intra-dependent. Human capital, however, is claimed to be the primary source of innovation and affects both structural capital and relational capital. Whilst structural capital depends on human capital and relational capital is about external knowledge, human capital is an independent driver that cannot be owned by the organisation. Thus, the relationship between the three components is weak. They may be strong methodologically but there is a problem about external validity. This creates problems for the stability not only of the concepts themselves but also for the interpretation of the structural models. The performative approach to
HC attempts to improve the relevance of HC to be applied in the context of an Indonesian university by synthesising the elements of HC in OUI.

2.3.2.2 The Value Creation of HC

The value creation of HC attempts to answer questions of how HC is related to value creation. While the ostensive approach assumes that value is the end point of a valuation exercise, performative approach focuses on the process of creating values. Since predictive models require historical material and assumptions about how the past leads to the future, such models look backwards and their past valuations are problematic because of dynamic changes in a knowledge-based economy. For the performative, advocating the past is important but not dominant, because how current capability and knowledge are created has to be reappraised in order to be a resource for the future. The performative is more concerned with how organisational actors develop value and how they draw on HC to do this. This means focusing on the practices and challenges in relation to valuing, and the process of valuation. The task is to understand how HC elements are mobilised towards transforming organisational behavior (Mouritsen, 2006).

Dynamic value creation is powered by HC whereby HC drives structural capital (SC) and relational capital (RC) then impact to organisational performance (Abdullah & Sofian, 2012). Human capital is the intangible that rests within the minds of individuals, such as knowledge, competencies, experience, know-how etcetera. Structural capital is that which remains in the organisation after employees go home at the end of the working day, such as the organisation’s processes, information systems and databases. The knowledge, competencies and experience embedded in human capital create the organisation’s processes and system utilised by human capital as processor in this transformational process. The relational capital is the relationships that the organisation has established including external relationships, and in this case, study with students and other key stakeholders such as research partners, universities, professional associations, employers and government institutions. Relational capital then directs resources such as human, technology and information system and all sorts of capital create value for an organisation.
The complexity of HC has been acknowledged that the value creation of HC is complex due to its nature (Lepak & Snell, 1999; Marr et al., 2004; Massingham & Tam, 2015). Additionally, value creation from above (ostensive approach) is considered very optimistic to be applied in the specific context of organisation and how this can be made sense for the purposes of organisational interventions. This is matched by concerns within the broader performance measurement literature with issues of choosing indicators for complex systems (Abernethy et al., 2005) and issues of identifying the existence of causal relationships between HC and other elements of intellectual capital.

2.3.2.3 The Proposition of HC

The proposition of HC attempts to answer the questions about how HC works in an organisational context. Mouritsen (2006) argued that ostensive is a causal model in which HC elements predict value creation (HC as a predictive model). The performative approach makes certain aspects of HC elements visible and relevant to the situation (HC as an inscription). HC as predictive model is problematic because a business model is rarely a generalisable model; instead, it is a specific one related to the individual organisation (Pew Tan et al., 2007; Ahangar, 2011). Statistical relationship may be stable on average but may not be useful for prediction in a particular organisation. HC elements are a priori weakly structured and only find their meaning in each situation. Thus, it is impossible to predict the effects on these properties since they are poorly structured. In contrast, HC is firmly structured in individual site-use where it gains its particular identity or role and thus can make a difference via its associations with other entities that are part of the specific site. An inscription, in contrast, does not assume essence; rather, it assumes performativity or ability to make a difference. The inscription is a device that organises the world and makes it accessible (Callon & Latour, 1981, p. 286).

These three themes of the performative approach to HC research are utilised to answer specific research questions. The performative approach is also linked with theories from the perspective of resourced-based theory (RBT) and levers of control theory as depicted in picture 9. below.
2.4. HC IN ORGANISATIONAL CONTEXT

2.4.1. Resources Based Theory (RBT): Resources, Capabilities and Competitive Advantage

RBT has been increasingly accepted in the accounting, economic, and strategic management literature, following positive results about the linkages between organisations resources and measures of performance (Belkaoui 2003; Chen et al., 2005; Newbert, 2008). As a theory, RBT explains how human capital creates value to sustain competitive advantage. RBT is the linchpin that connects the strategy and strategic HRM research streams (Chadwick & Dabu, 2009; Wright et al., 2001) as well as accounting streams (Rindova et al., 2010; Reed et al., 2006; Carter, 2010). Both streams draw on the RBT as the core theoretical perspective to the question of how human assets can be leveraged to achieve a unit-level competitive advantage.

Some scholars (Grant, 1991; Hall, 1992; Amit & Schoemaker, 1993; Collis & Montgomery, 1995) have generated lists of organisation resources, capabilities, and competencies that enable organisations to conceive and implement value-creating strategies. These organisation resources can be classified into four categories: physical capital resources, financial capital resources, human capital resources, and organisational capital resources (Barney, 2015). Physical capital resources include physical technology used in an organisation, a organisation’s
plant and equipment, its geographic location, and its access to raw materials. Financial capital resources include all organisation’s revenues, including its debt, equity, and retained earnings. Human capital resources include training, experience, intelligence, relationships, and the insight of individual employees in an organisation. Organisational capital resources include attributes of collections of individuals associated with an organisation, such as an organisational culture, its formal reporting structure, its formal and informal planning, controlling, coordinating systems, its reputation in the market place, as well as informal relations among groups within an organisation and between an organisation and those in its environment (Barney & Clark, 2007).

There have also been many debates about the dependent variables in RBT identified as ‘competitive advantage’, ‘sustained competitive advantage’, and ‘economic rents’. Competitive advantage can be defined as the ability to create more economic value than marginal (break-even) competitor in its product market (Peteraf & Barney, 2003). This definition is consistent with Barney (1986, 1991) and Porter (1985) and value based approach to competitive advantage (Peteraf, 2001). It resembles the value-creation frameworks (Brandenburger & Stuart, 1996; Besanko et al., 2000), though it differs in terms of its reference point. Its precise meaning, of course, depends on a clear definition of what it means to create economic value. Thus, economic value is defined in concert with the definition of competitive advantage (Barney & Clark, 2007).

The economic value created by an organisation in the course of providing a good or service is the difference between the perceived benefits obtained by the purchasers and economic cost to the organisation. (Peteraf & Barney, 2003). The view of value creation closely aligns with fundamental economic principles. Value is expressed in terms of the difference between perceived benefits, or customer willingness to pay, on the one hand, and economic costs on the other. Economic value created by an organisation emphasises perceived benefits, suggesting that the perceptions of consumers are more important than some absolute notions of quality differentials. Greater value implies greater efficiency, therefore, to create more value than its rivals; an organisation must either produce greater benefits for the cost or the same benefits for a lower cost. Hence, it
supports an efficiency view of resource-based theory. These two definitions of competitive advantage and economic value provide a precise picture of what belongs to a competitive advantage, as well as how it may be achieved, in the most general terms (Barney & Clark, 2007).

**Figure 9. Value Added**

Competitive advantage is expressed in terms of the ability to create relatively more economic value (Peteraf, 1993). To create more value than its competitors, a university must produce greater net benefits for its students and communities, through superior differentiation and/or lower cost (Greco et al., 2013). In terms of cost, OUI offers the cheapest tuition fee amongst public universities, and other differentiations rely on the qualifications of academic and services provided. Competitive advantage may be held by many universities in higher education industry; it suggests that there may be several different routes to competitive advantage. It simply requires OUI to be a superior value generator, relative to the least efficient competitor capable of breaking even. A university with competitive advantages needs not to be the very best performer in all dimensions.

RBT suggests that organisations obtain competitive advantages by implementing strategies that exploit their internal strengths, through responding to environmental opportunities, while neutralising external threats and avoiding internal weaknesses (Barney, 1991). Furthermore, Barney (1997) identifies assumptions in analysing sources of competitive advantages. First, organisations within an industry may be heterogeneous with respect to the strategic resources they control. Second, these resources may not be perfectly mobile across
organisations, thus, heterogeneity can be long lasting. Not all organisation resources that are ‘heterogenous’ and ‘immobile’ hold the potential of sustained competitive advantages.

To have this potential, an organisational resource must have four attributes (Barney, 1991; Barney & Clark, 2007). The first attribute is valuable resources. Resources are valuable when they enable an organisation to conceive or implement strategies that improve efficiency and effectiveness. The traditional strength–weaknesses–opportunities–threats model of organisational performance suggests that organisations are able to improve their performance only when their strategies exploit opportunities and/or neutralise threats (Porter, 1980). If a particular valuable organisation resource is possessed by a large numbers of organisations, each of these organisations has the capability of exploiting that resource in the same way, thereby implementing a common strategy that gives no one organisation a competitive advantage. The second attribute is rare resources. One organisational resource required in the implementation of almost all strategies is managerial talent. If this particular bundle of organisation resources (physical, financial, human, and organisational capital) is common, then a large numbers of organisations will be able to conceive and implement the strategies; Therefore, these strategies will not be a source of competitive advantage, even though the resources may be valuable. The third attribute is imperfectly imitable resources. Organisational resources can be imperfectly imitable (or costly to imitate) because of one or the combination of three reasons: the ability to obtain a resource is dependent on unique historical conditions, the link between resources possessed by an organisation and an organisation’s sustained competitive advantage is causally ambiguous, or, the resources generating an organisation’s advantage is socially complex (Dierickx & Cool, 1989). Valuable and rare organisational resources can only be sources of sustained competitive advantages if organisations that do not possess these resources cannot obtain them by direct duplication or substitution. The fourth is substitutability. Historically, causal ambiguity, and social complexity can all increase the cost of another organisation duplicating the resources of a particular organisation. However, if substitutes for these resources exist, and if these substitutes are themselves not costly to
duplicate, then organisations without these resources can imitate their effects by substituting resources which they can duplicate at low cost or they must able to be exploited by organisational processes (Barney & Clark, 2007).

However, there are three situations in which managers may not fully understand their sources of competitive advantage. The first is when the resources and capabilities are taken-for-granted organisational characteristics or invisible assets such as organisational culture (Barney, 1986), teamwork among top manager and relationships with suppliers and customers (Barney, 2007). These characteristics are the social value (Mayo, 2012) and organisational value (Flamholtz & Randle, 2012) of human capital which are further discussed in the analysis section of the thesis. The second is when managers are unable to evaluate which resources and capabilities, alone or in combination, actually create competitive advantage. The third is when the resources and capabilities are complex networks of relationships between individuals, groups, and technology. Whenever the sources of competitive advantage are widely diffused across people, locations, and processes in an organisation, those sources of competitive advantage will be difficult to identify and costly to imitate (Barney & Clark, 2007).

In resources-based logic, an organisation is said to have a ‘sustained competitive advantage’ when it is creating more economic value than the marginal organisation in its industry and when other organisations are unable to duplicate the benefits of this strategy. If OUI with a competitive advantage understands the link between the resources it controls and its advantages, other universities can also learn about that link, acquire the necessary resources (assuming that they are not imperfectly inimitable), and implement the relevant strategies; Thus, OUI’s competitive advantages may not be sustained because they can be duplicated. On the other hand, when an organisation with a competitive advantage does not understand the source of its competitive advantage any better than organisations without this advantage, that competitive advantage may be sustained because it is not subject to imitation (Lippman & Rumelt, 1982). However, an organisation that has a sustained competitive advantage does not mean that its competitive advantage will last forever. Changes in technology, demand, and the broader institutional context within which an organisation operates can all make what used
to be a source of sustained competitive advantage no longer valuable (Huang et al., 2015). Some of these sources, in turn, may be sources of sustained competitive advantage in a newly defined industry structure (West & Ibrahim, 2015).

2.4.2 Application of RBT for Specific Organisational Capabilities

Barney and Clark (2007) identify specific organisational capabilities as a source of sustained competitive advantage: organisational culture, trust, human resources practice and technology. Organisations with sustained competitive advantage are typically characterised by a strong set of core managerial values; the organisations tend to have sustained superior financial performance (Freiberg, 2008; Collins & Porras, 2005). These core values foster innovativeness and flexibility in organisations. When they are linked with effective management control, they are thought to lead to sustained competitive advantage. Barney and Clark (2007) argue that organisational culture can be a source of sustained competitive advantage.

Organisational culture can be a source of competitive advantage if that culture is valuable, rare, and imperfectly imitable (Barney, 1986). An organisational culture must enable the organisation to do things and behave in ways that add economic value to the organisation which is clearly a prerequisite for generating competitive parity (Fiol, 1991). If an organisational culture enables it to behave in ways that are inconsistent with an organisational competitive situation, that culture cannot be a source of superior performance (Balmer & Gray, 1999). Valuable cultures must also be rare to generate sustained competitive advantages. If many universities have similar cultures that allow them to behave and compete in approximately the same way, none will possess a culturally based competitive advantage. The culture driven success of one organisation creates an incentive for other organisations to modify their cultures to duplicate that success. If the culture is perfectly imitable, it cannot give any organisation a sustained competitive advantage. Research on organisational cultures suggests that at least the cultures of some organisations have these characteristics; thus, they can be a source of sustained competitive advantage (Cox & Blake, 1991). This means that not all
organisations have these three attributes (Tichy 1983). Thus, organisational culture is not a prime source of competitive advantage for all organisations.

Trust can also be a source of competitive advantage (Barney & Hansen, 1994). However, trust in economic exchanges is not always a source of competitive advantage (Humphrey & Schmitz, 1998). Weak form trust becomes a competitive advantage only when competitors invest in unnecessary and costly semi-strong governance mechanisms. On the other hand, strong form trust is a source of competitive advantage: when two or more strong form trustworthy individuals or organisations are engaged in an exchange; when strong form trustworthiness is relatively rare among competitors; and, when the individual and organisational attributes that lead to strong form trustworthiness are immune from low-cost imitation (Barney & Hansen, 1994). Semi-strong form trust is only a source of competitive advantage when a small number of competitors have special skills and abilities in conceiving of and implementing social and economic governance devices, and when those skills and abilities are immune from low-cost imitation (Barney & Clark, 2007). By analysing the competitive implications of different types of trust in economic exchanges, trustworthiness of exchange partners may vary, and in that variance, the possibility of competitive advantage may exist.

Many scholars have examined the role of human resources in organisational competitive advantage (Wright et al., 1994; Barney & Wright 1998; Collins & Clark, 2003; Kazlauskaite & Buciuniene, 2008). Following these studies, organisational human resources are defined as all the knowledge, experience, skill, and commitment of an organisation’s employees, their relationships with each other, and with those outside the organisation. An organisation’s human resource practices are defined as all the programs, policies, procedures, and activities that an organisation uses to manage their human resources (Barney & Clark, 2007).

One of the examples of human resource practice in organisations is performance and rewards system (Shields et al., 2015). By nature, organisations create value by either decreasing product/service costs or differentiating the product/service in a way that allows the organisation to charge a premium price. Thus, the ultimate
goal of any HR executive is to create value through the HR function either by decreasing costs or increasing revenues. OUI is operationalised to create value through its HR function, for example, by a performance and rewards system. By linking rewards and sanctions to employee satisfaction level, OUI ensures that employees are treated well. When they are treated well, they treat students well – and this creates value.

Some studies have examined the relationships between HR practices and employee and customer satisfaction. HR practices are related to employee attitudes which would consequently be related to customer satisfaction (Schneider & Bowen, 2010). Employee attitudes such as job satisfaction can be related to measures of organisational performance (Tornow & Wiley, 1991). Job satisfaction has also predicted employees’ perceptions of service quality as well as the discrepancy between employee and customer perceptions of quality (Schlesinger & Zornitsky, 1991; Homburg & Stock, 2004). Ulrich et al. (1991) found significant relationships between the tenure of employees and customer satisfaction. In addition, employees’ climate perceptions of management, supervisor, monetary and service support were related to employee affect (Schmit & Allscheid, 1995). Affect was related to service intentions, which were related to customer service. Empirical research, thus, supports the notions that employee satisfaction is linked to service quality and that HR practices are an important determinants of employee satisfaction (Barney & Clark, 2007).

According to RBT, organisations gain performance and competitive advantage through the acquisition, holding and subsequent use of strategic assets that are vital to competitive advantage and strong financial performance (Wernerfelt, 1995). Assets, both tangible and intangible, are perceived as potential strategic assets. While most intangible assets do not qualify as strategic assets, intellectual capital is considered to be a vital strategic asset (Mauritsen, 1988). This concept of intellectual capital as a strategic asset rests on the connection between intellectual capital and organisational performance on the other side (Belkoui, 2003). Barney (1991) argued that core skills central to organisational competitive advantages must be acquired from internal development within the organisation itself and that general technology can be acquired from outsourcing. These core
skills are characterised by properties such as value, rareness, not being imitable and immobility. Identifying the core skills of human capital establishes a system that connects the production and technology skills that will sustain competitive advantage (Hamel & Prahalad, 2013). However, not all human resources in the organisation are considered to be human capital. People, as value creating assets with inherent value, in themselves can be enhanced over time (Mayo, 2012, p. 49). Only employees possessing these qualities and capabilities are qualified to be effective human capital (Mayo, 2016).

Furthermore, RBT emphasises the costly-to-copy attributes of an organisation as the fundamental drivers of performance and competitive advantage (Barney, 1997; Peteraf, 1993; Wernerfelt, 1995). RBT focuses on the internal aspects of organisations (Bontis, 1999; Roos et al., 1997). However, RBT does not provide a holistic perspective for understanding how resources can be put in practice to create value for organisations (Peppard & Rylander, 2001). Accordingly, the value of non-human aspects of an organisation, such as information technology, is often overlooked. Additionally, the strategic management process in not-for-profit organisations is more complex (Kaplan, 2001; Oster, 1995). These organisations including universities and non-government organisations have particular characteristics. For example, the combination of paid permanent staff and employees employed temporarily, and accountability to multiple constituents as stakeholders, rather than shareholders. RBT may not be able to provide a balanced picture of how non-profit and public sector organisations are performing. However, RBT, which stresses internal capacities and capabilities to sustain competitive advantage, has been empirically tested and applied successfully in a public sector organisation, such as the Department of Defense (Ratnatunga et al., 2004). Therefore, it can be applied to universities.

To gain a deeper understanding how human capital contributes to value creation and value-adding outcomes, the notion of performance, value adding and competitive advantage applied in this thesis are also discussed.
2.4.3 Human Capital, Organisational Performance and Competitive Advantage

HC is seen as an organisational asset that works together to achieve organisational performance. Meanwhile, organisations exist to fulfil specific ‘purposes’ by attaining relevant ‘outcomes’. These purposes aim to create value for the stakeholders and win in competitive markets; the outcomes are characterised as performance (Buciuniene & Kazlauskaite, 2012). There is evidence that demonstrates the impact of human capital on organisational performance (Cooper et al., 1994; Huselid, 1995; Hitt et al., 2001; Crook et al., 2011; Vomberg et al., 2015). HC embodied with capacities (education and experience) represents substantial human capital to the organisation through intellectual ability, articulable knowledge, social contacts and prestige (Hitt et al., 2001). This human capital, in turn, should produce the highest quality services to clients and, thereby, contribute significantly to organisational performance.

Many strategic management studies consider operational improvement to be a key performance outcome and competitive advantage as performance outcomes about the outcomes of competitors. Ployhart et al. (2014) differentiates performance that results from competitive parity, and the performance indicative of competitive advantage. First, a performance for competitive advantage is defined as the organisational ability to create more economic value than its competitors (Peteraf & Barney, 2003, 314). Second, performance for competitive parity is defined as a normal level of performance (Barney & Wright, 1998). Third, in contrast to competitive advantage, the performance of the other competitors (Powell, 2003) is the organisational ability to create economic value no greater than its competitors in a market.

The difference between the types of outcomes is to address a misconception about the role of human capital. Ployhart et al. (2014) argue that human capital can be crucial to achieving sustainable competitive advantage by viewing their strategic distinctiveness. The characteristics of rare, inimitable, and non-substitutable assets are inappropriately narrow in their conception of human capital. Therefore, theoretical arguments based on the resource-based view (RBT) are relevant for
understanding the role of strategic human capital resources that produce competitive advantage (Barney & Clark, 2007).

According to RBT (Barney & Clark, 1991), unique resources and capabilities lead to a sustained competitive advantage, which in turn contributes to organisational performance. Market orientation, organisational learning, innovativeness, and entrepreneurship constitute four capabilities that are valuable, hard to duplicate, and non-substitutable. They are considered to be key drivers of organisational transformation and strategic renewal by manipulating resources into new value-creating strategies (Amit & Belcourt, 1999). These capabilities contribute positively to performance (Henri, 2006).

2.4.4 Human Capital, strategy and control system

Aligned with the third stage of IC research in which performative approach to HC is advocated (explained in section 2.3), HC is separated from the person and oriented towards organisational purposes. This is where the management control system concerns for economising, organising and modularising HC are relevant. Economising is about how much should be invested in people. In a knowledge-based organisation, such as in this case study of OUI, large investments are committed to developing human capabilities. However, critical questions, including whether it is possible to get economies of scale out of a limited budget, can be asked. Organising is about the location of knowledge. In the case study of OUI, this deals with whether knowledge resources appear to be located more in systems (structural capital) and networks (relational capital) than in individuals (human capital). Modularisation concerns the attempt to link various kinds of knowledge predictably and to make a much more systematic procedure. HC allows concerns about economising (how much to invest in people), organising (where to locate human capital) and modularising (how to standardise human capital) to be addressed within OUI. The control system makes HC as a knowledge resources stronger and helps to make strategy understandable. Therefore, human capital information, as argued by Mauritsen and Larsen (2006) makes it possible for managers to intervene and ensure the best decisions are enacted.
Meanwhile, control systems are about a balancing act between the tensions that arise in attempting to align organisational strategic direction (business strategy) and human behavior (Simon, 2013). The purpose of the control system is to provide information useful in decision-making, planning, and evaluation of business strategy (Merchant & Otley, 2006). Consequently, the control system in this thesis is how human capital is utilised including the recruitment system, training and development programs, and the performance and rewards system, which helps to create additional value for the organisation. Balancing these tensions is the key to implementing an effective strategy, as depicted in Figure 11 below.

Organisations are artifacts created to achieve specific goals and objectives. Organisations, however, are multifaceted; they are social systems in which group norms and patterns of power and influence affect internal decision-making processes. An organisation consists of sets of relationships among self-interested participants who are trying to balance personal well-being and organisational outcomes. Control theory recognises multiple conceptions of organisational functioning, which consist of three dynamics elements that reflect different facets: the dynamics of creating value, the dynamics of strategy making, and the dynamics of human behavior. Each of these elements leads to organisational tensions that must be reconciled and balanced to allow effective control of agreed business strategy.

Figure 10. Control System

Source: Simon (2013)
2.4.5 Levers of Control

The control system consists of multiple controls that works together (Otley & Berry, 1980). Levers of control are used to explain how managers balance innovation and control to drive strategic renewal (Simons, 1994, 2013) and informational aspects of management (English, 1996). Simons (2000) posits that four levers of control systems work together to facilitate organisational performance. Existing theory proposed that innovative institutions should minimise formal controls to reduce bureaucracy and allow creativity to flourish (Simons, 2013). However, Simon (2000) argued that the most innovative institutions used their profit planning and control systems more intensively than did their less innovative counterparts. Thus, the system enables control of the inherent tensions between freedom and constraint, empowerment and accountability, between top-down direction and bottom-up creativity, between experimentation and efficiency (Simons, 2013).

These levers of control explain that business strategy involves intense analysis whereby the institution positions itself in comparison with its competitors (Tuomela, 2005). Four key constructs are introduced which must be analysed and understood for the successful implementation of the strategy (Widener, 2007). These constructs are core values, risks to be avoided, critical performance variables and strategic uncertainties. Each construct is controlled by a different lever, the use of which has different implications. These key levers are the beliefs systems, the boundary systems, the diagnostic control systems and the interactive control systems (Simons, 1994, 2013). These four levers of control create the contradictory forces between the positive and the negative sides of effective strategy implementation. The four levers of control are detailed in Figure 2.12 below.

According to Simons (2013), the levers of control approach contends that strategic elements (strategic uncertainty and risk) drive the choice and use of the control system (beliefs, boundary, diagnostic and interactive), which in turn, impacts organisational performance through organisational learning and enhanced management attention. Thus, the use of levers of control theory is important as it
helps the candidate in this thesis to analyse how HC as a strategic asset is controlled and mobilised idiosyncratically to create organisational value.

**Figure 11.** The Levers of Control

![Diagram of Belief System and Boundary System]

Source: Simon (2000)

**2.4.5.1 Belief System and Boundary System**

There are two control levers in formal control systems that guide activities in organisations, namely belief systems and boundary systems. The belief system motivates the search for opportunities. This is used to inspire and direct the search for new business opportunities. The boundary system is a counter-acting system that constrains the search. This system is used to set limits on opportunity-seeking behavior.

A belief system is an explicit set of organisational parameters that senior managers communicate formally and reinforce systematically to provide basic values, purpose, and direction for the organisation. These parameters espouse the values and direction that senior managers want subordinates to adopt. These core values are linked to the business strategy of the organisation as depicted in figure 2.9 above. Belief systems attempt to convey information about core values through symbols, mission statements and other types of documents. Belief systems create norms and serve as cultural ideals. The rules embodied in boundary systems both create and are created by the culture of an organisation.
Individuals in organisations are considered to be opportunity-seekers; that when presented with new information and situations, they search for ways to create value or overcome obstacles. Unlike the belief system, the boundary system establishes limits an opportunity-seeking based on defined business risks. Organisational participants can view the boundary system as either constraining unethical behaviors or liberating in the sense that rules about unacceptable behaviors allow freedom of action within specified bounds. Although the boundary system is essentially a prescriptive or negative system, it allows managers to delegate decision-making and, thereby, allow the organisation to achieve maximum flexibility and creativity. All systems that attempt to create accountability do so by delimiting organisational space for participants (Roberts & Scapens 1985). Beliefs about values and mission interact with rules and sanctions; commitment interacts with freedom within clearly stated boundaries. In organisations such as universities, the boundary system is used to specify both means and ends.

**2.4.5.2 Diagnostic System**

Diagnostic control systems are formal information systems that managers use to monitor organisational outcomes and correct deviations from preset standards of performance. The diagnostic control system is used to motivate, monitor, and reward achievement of specified goals. These systems assist in the monitoring and accomplishment of critical performance variable goals, financial and nonfinancial, by ensuring an explicit top-down linkage of intended strategies to lower-level goals and the coordination of resources and action plans; by providing motivation to achieve organisational goals; by serving as a basis for evaluation of businesses and managers; and, by providing benchmarks for corrective action. Thus, to use diagnostic control systems to control any process, it must be possible to (1) develop predetermined standards against which actual results can be compared, (2) measure the outputs of a process, and (3) correct deviations from standard.

Diagnostic control systems attempt to measure the critical performance variables that must be achieved or implemented successfully for the intended strategy of the business to succeed (Sakka et al., 2013). These variables either influence the
probability of successfully meeting goals (an effectiveness criterion) or provide the largest potential for marginal gain over time (an efficiency criterion). Thus, effectiveness and efficiency are the prime criteria for the selection of measures used in diagnostic control systems (Tuomela, 2005).

Diagnostic control systems operate effectively only if reported data is accurate and complete. Internal controls, designed to safeguard assets from misappropriation and ensure reliable accounting records and information systems, are critical to ensure the integrity of diagnostic control systems (Rosenstraus et al., 1998). Internal controls are the detailed, procedural checks and balances that include the following aspects: structural safeguards, staff safeguards, and system safeguards. Internal controls are different from boundary systems, which specify risks to be avoided. Internal controls specify the detailed procedures and safeguards for information handling, transaction processing, and recordkeeping. Staff groups typically install and maintain internal controls, which are then evaluated periodically by internal and external auditors. Internal controls are essential to ensure the integrity of the other systems that managers use to implement strategies. The diagnostic control system has an important role not only in diagnostic performance contracts between superiors and their subordinates but also in resource allocation, coordination, early warning, and business evaluation. Diagnostic control systems, which monitor organisational outcomes are, therefore, essential levers for implementing the intended strategies.

### 2.4.5.3 Interactive system

Interactive control systems are formal information systems that managers use to involve themselves regularly and personally in the decision activities of subordinates. The interactive control systems stimulate learning, allowing new strategies to emerge as participants throughout the organisation respond to perceived opportunities and threats. The interactive control system has four characteristics. First, information generated by the system is an important and recurring agenda addressed by the highest levels of management. Second, the interactive control system demands frequent and regular attention from operating managers at all levels of the organisation. Third, data generated by the system is
interpreted and discussed in face-to-face meetings of superiors, subordinates, and peers. Fourth, the system is a catalyst for the continual challenge and debate about underlying data, assumptions, and action plans. The interactive control system stimulates learning, allowing new strategies to emerge as participants throughout the organisation respond to perceived opportunities and threats. As the fourth lever of control, these systems focus attention on strategic uncertainties and enable strategic renewal.

The strategic uncertainties help to focus on the formation of emerging strategy. The strategic uncertainties that derive from top management or senior managers result from the perceptions of the uncertainties and contingencies that could threaten or invalidate the current strategy of the organisation. Unlike a diagnostic control system, the interactive control system is inductive and treats the strategy as a vision rather than a target. Thus, targets are constantly reestimated and are not fixed. Interactive control systems focus attention on processes rather than predetermined outcomes. Thus, the interactive control systems provide positive feedback as well as have incorrect and future time frames.

The four levers of control are used to gain a deeper understanding of how the independent variables are controlled to drive strategic renewal. Integral with the performative approach to IC research is resource-based theory (Barney, 1991) which links human resources with the organisational strategy.

In the next section, the contribution of leadership and organisational culture is also discussed. There is a need to understand how leadership and organisational culture influence HC and the control system in a balancing act to help direct human motivation in the coherent organisational goals.

2.5 HUMAN CAPITAL IN THE UNIVERSITY CONTEXT

2.5.1 Indonesian University in the Reform Context

An explanation of the general context for Indonesian universities is important to help to understand the environment and the underlying challenges. The Indonesian Reforms of 1998 brought about massive social changes and had a significant impact on public higher education (Purwadi, 2001). The liberalisation of public universities in Indonesia has continued since then. Previously, the
Indonesian system was characterised by the centralised role of the Ministry of Education (now refers to the Ministry of Research and Technology), which was in charge of defining the allocation of resources for each university including personnel, teaching and research funds which were paid directly by the central government and then assigned locally to faculties within each university. The liberalisation of public universities in Indonesia emerged, in large part, as the consequence of the Reforms that involved the amplification of academic freedom and at the same time, state sponsored intensification of market forces. In August 2012, the House of Representatives enacted the regulation (Number 12/2012) that allows state universities to become independent public universities. Unlike its predecessor, the new regulation made a university’s financial autonomy conditional. Whether or not a university could exercise financial autonomy depended on approval from the Ministry of Education. That approval would be granted on the basis of an evaluation of a university’s overall performance. Since the new regulation was passed, the status of seven public universities had been changed to “Public Service Agencies” (refer to as Badan Layanan Umum or BLU), including OUI (Nasution, 2012).

If the current central government policy continues to stay in effect, and universities continue to be privatised, a number of problems may appear. Firstly, underprivileged groups would have reduced access to higher education and this goes against the usual ideals of public education. Secondly, universities will become one additional part of a capitalist market that would be exploited by elite university bureaucrats for profit-making purposes. In reality, good university management is still far from being realised in those universities whose status has been changed to “legal entity”. Thirdly, the gap between Indonesian universities, particularly between the top seven universities (accreditation A) that have experienced this status change and other public universities, will widen. Finally, the development of future academics will be problematic.

The previously mentioned reforms introduced three main changes for OUI as a public service agency: the definition of a single-line budget of financial resources includes all items previously assigned directly to specific cost centres; the introduction of ‘re-balancing’ mechanisms which assign an increasing part of the
resources on the basis of the standard costs per student; and the introduction of incentive mechanisms based on the achievement of results as defined by central government. Furthermore, this regulation introduced two evaluation mechanisms for universities. At a local level, universities have to set up an internal committee that determines the fairness of the management of the resources, research productivity and teaching results. Then, at a central level, the government created a national committee to evaluate the university system. This committee assesses the results of academic institutions and controls their development plans (Universitas Terbuka, 2012).

These reforms have helped to shape a more autonomous and competitive system in Indonesia resulting in higher tuition fees. The main differences from those systems implemented in western universities are: the autonomy of institutions, the role of the state as the main provider of funds and the government’s role as the regulator. Western universities have almost complete autonomy in teaching and in the recruiting of staff. In Indonesia, however, recruitment is carried out through a public competition that must be approved by central government called civil service. There are also some limits in the autonomy of teaching in Indonesia where courses are again subject to approval by a central government. As far as the financing system is concerned, Indonesia adopts a performance based system (the proposed budget is based on the previous year’s performance and funds used). As for the state regulatory role, western nations emphasise the quality of ex-post evaluation, the central government in Indonesia also carries out an ex-ante regulation of programmes (Bauhr et al., 2015). Table 3 below summarises the main differences between western nations and Indonesia.

Although there are limitations compared to western countries, the devolution of decision-making has offered new opportunities for Indonesian universities. At the same time, this has led to challenges for management and academic boards and has highlighted the many difficulties involved in overseeing administration. In this context, requests have been made by central government for the university to carry out or manage state fund allocations not only for managing cost but also for increasing the quality of performance.
Table 3. The Main Difference Between Western Nations and Indonesia Higher Education Reform Measures

<table>
<thead>
<tr>
<th>Phase</th>
<th>Western Nations</th>
<th>Indonesia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruitment</td>
<td>Internal autonomy</td>
<td>Public competition, approval by the central government required</td>
</tr>
<tr>
<td>Teaching autonomy</td>
<td>Internal autonomy</td>
<td>Approval of program of studies by the central government (Ministry of Education)</td>
</tr>
<tr>
<td>Allocation</td>
<td>Lump sum Formula based</td>
<td>Performance based (based on proposed budget and evidence)</td>
</tr>
<tr>
<td>Regulating role of the state</td>
<td>Emphasis on ex post evaluation</td>
<td>Ex post evaluation and Ex ante evaluation of program of studies and strategy</td>
</tr>
</tbody>
</table>

Source: Developed by the candidate

2.5.2. Organisation in Societal Culture

Based on Hofstede’s (1983) dimensions of national culture, there are four anthropological problem areas that national societies handle differently, but only four are used for data analysis in this thesis. First, power distance is the extent to which the less powerful members of organisations and institutions (like the family) accept and expect that power is distributed unequally. This can be determined by the level of hierarchy in workplaces and distance between social strata. The power distance in a societal culture will influence organisational structure. Second, individualism on the one side versus its opposite, collectivism, is the degree to which individuals are integrated into groups. On the individualist side, we find societies in which the ties between individuals are loose. On the collectivist side, we find societies in which people from birth onwards are integrated into strong, cohesive in-groups, often extended families (with uncles, aunts and grandparents) which continue protecting them in exchange for unquestioning loyalty. Individualism and collectivism in societal culture will influence whether or not the organisation is egalitarian and teamwork-focused. Third, masculinity versus its opposite, femininity, refers to the distribution of emotional roles between the genders which is another fundamental issue for any
Masculinity/femininity does not refer to the dominance of gender. If Hofstede’s scale shows that they are highly male oriented, then workplaces are likely to be autocratic. On the other hand, when it is more highly female oriented, people are likely to show more empathy for their fellow workers; they are likely to spend time on relationships and personal ties. Fourth, uncertainty avoidance refers to the way in which people will deal with the future, whether they have inherent control, or whether events are beyond their control (fatalism), or the extent to which people are threatened by a lack of structure or by uncertain events. People in uncertainty avoiding countries are also more emotional, and motivated by inner nervous energy. The opposite type, uncertainty-accepting cultures, are more tolerant of diverse opinions.

The fifth dimension of Hofstede et al (1990), long-term orientation, is not used in this thesis for a number of reasons. This dimension has been criticised because it is difficult to understand (Newman & Nollen, 1996), irrelevant (Redpath & Nielsen, 1997), ambiguous and confusing (Signorini et al., 2009). This thesis uses the other four dimensions of Hofstede (1990) for analysing human capital related to societal cultural values in universities context in Indonesia for a number of reasons: firstly, to gain a deeper understanding of how societal culture influences the members of groups to shape the desired organisational culture in OUI; secondly, to help the candidate investigate HC practices in OUI through analysis from these four dimensions; thirdly, to analyse factors that motivate or inhibit development of HC in OUI; fourth, to analyse how societal culture influences HC and other elements of HC.

As previously explained, the role of leadership and organisational culture as the strategic element of human capital in organisational performance is critical. Leadership shapes the organisational culture and directs human motivation to achieve organisational goals. The context of HC discusses HC in the public sector, in the higher education context and in a national context in which the case study organisation operates.
2.5.3 Leadership in the University: Top-Down and Bottom-Up Leadership

The literature identifies several types of leadership styles and many schools of thought. Leadership style is the way leaders supervise, motivate and inspire their subordinates. One leadership style dimension has to do with control and one’s perception of how much control one should give to others. For example, the laissez faire style implies low control, the autocratic style requires high control while the participative one lies somewhere in between. In this thesis, I focus on two types of leadership: the top-down approach and the bottom-up approach (Sabatier, 1986) as depicted in Figure 2.13 below.

Figure 12. Type of Leadership and Control System

The top-down approach is authoritative in nature and represents a method in which senior management makes all key organisational decisions (Sabatier, 1986). Top managers provide guidelines, information, plans and appropriate resource allocation. From there, commands, directives and edicts travel down the chain of command to the workforce. Lower-level employees are not involved in decision-making processes and have little or no input in formulating policy. This approach also offers leaders opportunities to display and exhibit their power and expertise. Thus, it builds employee confidence in their leadership as the leaders help to build the capacity of the members of the group to accomplish what they have been asked to complete (Dufour, 2007). Top-down leadership is generally
accepted as an appropriate leadership style for organisations where creative inputs from the lower echelons are needed less. However, following this approach, managers should be as specific as possible when communicating their expectations. Another disadvantage of top-down leadership is its rigidity. Because all decisions and ideas come from above, there is little room for participation by employees. This limits employees’ feelings of being stakeholders in the organisation and can adversely affect their morale (Ngambi, 2011). In the university, this top-down nature has discouraged academics from actively participating in the commercialisation of their ideas (Goldfarb & Henrekson, 2003).

The bottom-up approach, on the other hand, implies proactive lower-level managers and team members who participate in the overall management process (Autry, 2007). The bottom-up approach empowers team members to think more creatively. Individual members of the team get an opportunity to offer project solutions that are focused more on practical requirements than on abstract notions. The planning process is facilitated by a number of people to increase effectiveness and efficiency. Work schedules, budgets, and organisational results are transparent.

However, despite all the potential advantages, the bottom-up style alone does not ensure successful outcomes. The bottom-up approach is not a perfect solution because sometimes there is a lack of clarity and control. An effective appropriate way is to find a balance between these two approaches; as the study found that there is a convergence between top-down and bottom-up approach in the university (Fulan, 1994; Kezar, 2012; Hoch, 2013).

2.5.4 Dimensions of Leadership in This Thesis

Leaders need to pay attention to both management and leadership roles. The leadership process is a balancing act between ensuring a track record of success with the ability to admit mistakes and handle failures meaningfully and at the same time, encourage individuals as part of effective team work (Cameron & Green, 2015; Carson et al., 2007). With the current dynamic tensions about leadership, Green et al. (2015) suggests a model of leadership to balance three key
dimensions of leadership: outcomes, interests and emotions as detailed in Figure 14 below. The model explains that leaders usually learn to focus on outcomes and tangible results. However, although outcomes are important, leaders must also pay attention to underlying workplace emotions, and wield appropriate levels of power and influence to sustain changes and achieve continued success in the long term. Leaders need to balance their efforts across all three dimensions between developing and delivering clear outcomes; mobilising influence, authority and power; and enabling people and culture to adapt. Leaders are at the centre of all three in which they shape, direct and juggle all of the three dimensions, ensuring that these dimensions are handled successfully.

**Figure 13. Three Dimensions of Leadership**

![Diagram of Three Dimensions of Leadership](image)

Source: Green, Holder & Cameron. (2015)

**2.5.5 Human Capital in Organisational Culture**

Culture is an abstraction and, yet the forces that are created in social and organisational situations are powerful (Schein, 2010). Organisations often have unique cultures which reflects sets of values that influence the way people behave in a variety of areas. Hence, organisational culture can refer to the set of rules and standards that state what people in organisations should and should not do. Organisational culture consists of values, beliefs, and norms that influence the thoughts and actions (behavior) of people in organisations (Flamholtz & Randle, 2012). Organisation vision, systems, symbols, language, assumptions, and habits are types of organisational culture.
Organisational culture can be divided into layers. The surface layer is what we see and observe, mostly in the norms of behavior on a day to day basis. Then there are core values and related beliefs or assumptions which drive these behavioral norms. However, below that is what might be termed a set of cultural attributes which are the underlying core of culture. These cultural attributes drive the core beliefs, values, and norms which constitute the most observable level of culture (Flamholtz & Randle, 2012). Similarly, Schein (2010) clustered culture into three levels – the level of artifacts, the level of espoused beliefs and values, and the level of basic underlying assumptions, as depicted in Figure 15 below.

Figure 14. Schein’s Level of Culture

People must interpret the pattern of basic assumptions that may be operating to enable one to translate the artifacts correctly and how much trust to give to the espoused values. Though the essence of a group’s culture is its pattern of shared, basic assumptions, the culture will present itself at the level of visible artifacts and shared espoused values, norms, and rules of behavior. The artifacts are easy to perceive but difficult to translate, and espoused beliefs and values may only reflect rationalisations or aspirations. To understand a group’s culture, one must attempt to reveal the shared underlying assumptions and understand the learning process by which such basic assumptions evolve.
Organisational leadership can be a source of the beliefs and values that energise a group moving to deal with internal and external problems. Key leaders assumptions gradually come to be shared assumptions. When this process forms a set of shared basic assumptions, this outcome defines the character and identity of the group and can function as a cognitive defense mechanism both for the individual members and for the group as a whole. In other words, individuals and groups seek stability in meaning. Once achieved, people tend to distort new data through various defense mechanisms rather than change these basic assumption.

Cultural change in the sense of changing such basic assumptions is difficult, time-consuming, and highly anxiety-provoking (Schein, 2010). Thus, leaders need to understand the deeper levels of a culture, to assess the functionality of the assumptions made at that level, and to deal with the anxiety that is unleashed when those assumptions are challenged.

2.5.6 Organisational Culture as the Third Element of Human Capital

Flamholtz and Randle (2012) argue that organisational culture is the third element that forms human capital. The arguments answer the question of some scholars (Kotter & Heskitt, 1992; Flamholtz, 2001; Sackmann & Stiftung, 2006) about the critical role of organisational culture in organisational performance. Organisational culture is well understood to impact human resources and comprises a fundamental aspect of human resource management. However, what is less recognised is that organisational culture is a true strategic asset, that might be the ultimate strategic asset for many institutions. As a result, organisational culture can be a critical element of a successful business model just as other forms of intellectual capital (Ratnatunga et al., 2004) because the intangibles create value and true competitive advantage (Dumay & Cuganesan, 2011).

There are four critical interrelated notions of organisation culture as the third element of HC (Flamholtz & Randle, 2012). First, in the economic sense, organisational culture is an asset that leads to measurable profitability. In accounting sense, organisational culture can impact earnings, meeting the criterion of an asset (Flamholtz, 2001). Hence, the organisational culture is regarded as an asset for the organisations which has a positive corporate culture.
and generates positive differential earnings (for example, Starbucks). In contrast, it is considered as a liability for the organisations with dysfunctional cultures, thereby, incurring opportunity costs (for example, AIG Insurance). Additionally, this primary dimension of the individual as a form of human capital, a traditioned group in the sociological sense also comprises an asset and another form of human capital (Flamholtz, 2001). Such a group of people can be a positive contributor to organisational effectiveness.

Second, the organisational culture is a strategic asset in the sense of comprising a source of competitive advantage. Not all assets are strategic assets. To be considered as a strategic asset, the asset must meet two criteria: it must provide a competitive difference, and it must be sustainable for a period of time. Hence, the strategic asset could demonstrate the benefit and have economic value (due to the competitive difference) and competitive advantage (due to sustainability). Additionally, RBT suggests that to provide sustained competitive advantage the asset also must meet the criteria that it must be difficult to imitate (Barney, 1986). Culture functions as a strategic asset in several ways. One of the key impacts of the culture is the ability to acquire, develop and retain people, which comprise the human capital of an organisation. This, in turn, enables culture not only to attract the best talent, but also to retain them. Since it is costly to recruit and train people, the ability of an organisation to retain human capital is a strategic asset (Flamholtz & Main, 1999).

Third, the organisational culture might well be the ultimate strategic asset. However, most assets, even strategic assets, are perishable as they can be copied easily. Barney (1991) has proposed that an organisational culture can be a stronger source of a sustained competitive advantage than products or services, because it cannot be imitated. Moreover, organisational cultures, which are inimitable, are a source of sustainable competitive advantage for organisations (Barney, 1986) and, in turn, comprise the ultimate strategic asset (Flamholtz & Randle, 2012). The unique circumstances of every organisation such as the difference in leadership style, the organisation size, historical experiences, and a variety of other factors all combine to make an organisational culture unique.
Hence, the organisational culture can actually be viewed as the ultimate strategic asset because of its unique attributes.

Fourth, organisational culture as a strategic asset can be the essence of a business model (Barney, 1986; Flamholtz & Randle, 2011). The concept of a business model, which is widely used in business and academic literature, has attracted the attention of scholars for the past several years (Zott et al., 2011). There has been a comprehensive review that the business model appears to develop a generally accepted definition of that term and that can be used to analyse business models systematically. This means that one person's business model might not fit with the conception of others. This has direct relevance for the notion that organisational culture can be the core element in a business model. A business model refers to the entirety of the processes from the selection of a market to the delivery of a product or service by means of a specified business architecture (Flamholtz & Randle, 2012). Just as with organisational culture, a business model can be a source of competitive advantage (for example, Amazon.com).

Organisational culture is one of the key components of an organisational infrastructure. It is increasingly recognised as a key strategic asset and a basis of competition among organisations (Sadri & Lees, 2001; Flamholtz & Randle, 2012). The special features of organisational culture makes it the ultimate strategic asset, which in turn, leads to becoming a powerful basis for a business model. There are three specific attributes of culture that lead to competitive differentiation in a business model. Firstly, organisational culture is difficult and costly to develop. Once developed it can be maintained and is not inherently perishable. Then, to a very great extent, it is not readily visible to the casual observer, making it difficult to copy. This has led organisational culture to be viewed as a core component of an organisation’s overall business model and strategy. In effect, business models are built around culture as the core strategic asset.

For the above reasons, Flamholtz and Randle (2012) add organisational culture as the third element that forms human capital. The connection between human capital and organisational performance and competitive advantage is further
discussed in Chapter Six. To gain a deeper understanding of how organisational culture was shaped and settled in an organisation, societal culture in the national context is also discussed.

2.5.7 Value-Adding in the University

The term value-added is derived from economics, where it is often used to describe the additional value which a business generates or contributes to a product or service. In education, it has commonly been used to describe the additional value which schools brings to the learning outcomes of their students. In other words, the contribution a school makes to the learning of students. Value-added has also been used more broadly to encapsulate all contributions schools make to student development. A broad definition of ‘value-added’ is:

Value-added measures are those that attempt to indicate the educational value that the school adds over and above that which could be predicted given the backgrounds and prior attainments of the students within the school (Hill, 1995, p.4).

While value-added measures seek to quantify the value of gains in educational attainment usually by comparing student test results, value-added in this thesis seek to identify the contribution OUI makes to the learning outcomes of its students including value-added programs and value-added service.

Lynn (1998) argues that rather than trying to determine the value of ideas, skills and other products of the human intellect (performance measurement), she suggests aggregating the value-added services HC is performing now, HC has performed in the past and HC's potential for the future. Lynn’s studies in reporting and evaluating knowledge assets show that once HC is recognised and cultivated, it is a potent force in enhancing organisation value, that is increasing results. She proposes a generalised four-phase model of implementing an HC and intellectual capital evaluation system, which is based on the organisation's analysis of its core competencies and a set of balanced performance evaluation measures.

Furthermore, HC is considered as a key value driver in the knowledge-based industry such as a University like OUI. Meanwhile, a business model would helps to articulate how the organisation will convert resources and capabilities into economic value by acquiring and using different forms of capital (physical,
financial and intellectual) to create value (Teece, 2010). Thus, research into how management ‘perceives the business model and communication on strategy and value creation’ is needed (Bukh, 2003). Relevant developments in the strategic management literature on business models have had a little impact on the field of HC in intellectual capital accounting research (Guthrie et al., 2013). This thesis further discusses the application of the open university business model in chapter six.

Organisations exist to create value for the stakeholders and attain competitive advantage. However, the purposes and the outcomes alone are not able to direct human capital to work towards organisational goals. The success of the organisations also depends on the work environment in which human capital is embedded in practice.

2.6 SUMMARY OF LITERATURE REVIEW

This literature review has justified the need for further HC research using a performative approach (Mouritsen, 2006) in a public sector (Guthrie et al., 2012) in a specific country (Dumay, 2015). The literature review also leads to the conclusion that the contributions of human capital in both universities and the public sector are unique due to nature and contextual factors in which organisational processes take place. There are limited studies that have been conducted to date on the human capital topic in a university and country specific context using a qualitative case study and a performative approach. Although HC and IC research has been identified in studies elsewhere in the world, those specific or unique to the performative case study and Indonesian university context have yet to be undertaken.

The growing interest in HC and IC has extended from the private sector to public institutions such as universities (Guthrie et.al., 2012; Canibano & Sanchez, 2009) since universities are considered to be critical institutional actors in innovation systems (Sánchez & Elena, 2006). The public sector has, however, traditionally been considered to be inhospitable to innovation (Borins, 2001). There have been calls to adopt private sector frameworks into public sector reporting. However, the amount of HC and IC information disclosed by universities in their annual reports
is low. This condition is possibly due to educational institutions being typically regulated (Bezhani, 2010) by governmental procedures and not following more entrepreneurial management models (Bornemann, 2014). The adoption of a private sector framework into universities is potentially problematical because these two sectors have quite different characteristics. For example, the public sector is characterised by asymmetric incentives that often punish unsuccessful innovations much more severely than they reward successful ones (Borins, 2001). Therefore, the application of the concept of HC and IC to assess intangible resources is crucial for the quality of educational processes (Bornemann & Wiedenhofer, 2014). However, most HC and IC research in the public sector has adopted the ostensive approach employing quantitative methodologies.

This gap in the literature has identified the need for further study in the public sector. Using a performative case study approach in Open University Indonesia will help to explain the phenomena of HC and IC in public institutions such as universities in a country specific context. The next chapter (Chapter Three) outlines the methodology applied in this thesis in which a performative case study is proposed as a means to investigate human capital practices in OUI.
CHAPTER 3 METHODOLOGY

3.1 INTRODUCTION

As explained in the literature review, there is a need for further HC research in the IC discipline in the public sector and specific organisational context. A performative case study in the Open University Indonesia (OUI) will help to explain the phenomena of HC in Indonesia universitas. This chapter outlines the paradigm applied in this thesis, underpinning theories and methods related to performative case study.

3.1.1 Scientific Paradigms

A paradigm consists of the following elements: ontology, epistemology, methodology, and methods. Ontology is the study of being while the underlying ontological assumption is 'what constitutes reality' (Crotty, 1998). Researchers have perceptions of how things are and how things happen. Epistemology focuses on the nature and forms of knowledge while the epistemological assumption is 'what it means to know' (Cohen et al., 2013).

Every paradigm is based on its own ontological and epistemological assumptions because assumptions are conjecture and different paradigms contain differing ontological and epistemological views (Guba & Lincon, 1994). Thus, paradigms have differing assumptions about reality and knowledge underpinning particular approaches that become evident in the research methodology and methods. A methodology usually refers to a strategy or plan of action which lies behind the choice and use of particular methods (Crotty, 1998). Research methods are the specific techniques and procedures used to collect and analyse data (Crotty, 1998). The data gathered can be either qualitative or quantitative, and paradigms can use quantitative and qualitative data. Research methods can be related through methodology and epistemology to an ontological position. Ontological and epistemological positions are engaged in any form of research and researchers with different ontological and epistemological positions can lead to different research approaches in investigating the same phenomenon (Grix, 2010).
3.1.2 The Relationship Between Ontology, Epistemology, Methodology, and Methods

Scholars from various disciplines attach a broad range of meanings and interpretations to the terminology of research. The ‘building blocks’ of research as the primary language of research need to be made explicit before a researcher starts the research process. In research, it is important to differentiate between ontology (that is what is out there to know about) and epistemology (that is what and how we know about it). Their positions in research are essential for understanding the research process as a whole.

The key building blocks of research, as depicted in Figure 15 below, may be seen as mechanistic. However, this simplified overview can help to understand the whole research process. The ontological position (what a researcher thinks can be researched) is linked to the epistemological position (what we can know about it and how to go about acquiring it). A researcher's methodological approach, reflecting specific ontological and epistemological assumptions, represents a number of choices of approaches and research methods to be adopted in a study. The methodology is logically linked to the research methods employed, and the methods chosen for a research project are related to the research questions posed and the sources of data collected.

The below figure shows the directional and logical relationships between the key components of research. The figure does not show the impact and influence of the research questions chosen. However, the ontological and epistemological positions shape the research questions of this thesis, and how the research questions are answered. I have concerns about the view that research may begin at any stage of the figure above. I would argue that a researcher should guard against ‘method-led’ research, that is allowing ourselves to be led by a particular research method rather than by the research questions themselves. The research questions point to the most appropriate research method. Choosing a research method before having a research question is counter to the logic of interconnectedness discussed above. This will result in a poor question/method fit. The selection of the method to be used should be guided by the research questions. The important thing to
note here is that it is the researcher who employs a particular method in a particular way, thereby associating it with a specific set of ontological assumptions. The researcher is the one that approaches scholarship with pre-existing baggage, not the research method that is done as part of the research process.

**Figure 15. The Interrelationship Between the Building Blocks of Research**

![Diagram of the interrelationship between ontology, epistemology, methodology, methods, and sources.](image)

Source: Hay (2002, p. 64)

### 3.1.3 Human Capital in Intellectual Capital Accounting Discipline

HC in the intellectual capital field is a legitimate area of accounting research (Llewelyn, 2003); it is multi-disciplinary and multi-focused in nature (Guthrie & Murthy, 2009). Earlier literature had identified that accounting had lost some of its relevance in current economic contexts (Kaplan & Johnson, 1987) and raises questions such as: "does today's accounting make sense?" (Grojer, 1997). The research and theoretical experiments, of which human capital is a significant part, have led accounting research to the boundaries of questions and fields that are far from traditional accounting's historical domain as a measurement discipline (Flamholtz, 2009). Specifically, this trend has led to investigations of organisational improvement and human resource management as well as the role of accounting in society, and not just measurement (Burchell et al., 1985; Grojer,
Additional studies focusing on the performative approach (Mauritsen, 2006; Boadker, 2010; Guthrie, et al., 2012; Dumay, 2013), that would help to explain human capital practice in different countries, are needed.

Human capital in the intellectual capital accounting domain is a complex and poorly understood process (Grojer & Johanson, 1998). To have future relevance, intellectual capital accounting disciplines must remain resolutely pluralist (Parker & Guthrie, 2009). The range of topics studied and the range of theoretical perspectives adopted are extremely broad. Against this backdrop, this thesis presents a performative case study of HC in intellectual capital accounting using the framework of HC in strategic management. This thesis aims to enrich earlier literature into the public sector and higher education institutions, and contribute to improving the relevance of human capital as applied to specific organisational contexts such as universities.

3.1.4 Approaches to Intellectual Capital research

The topic of HC in this thesis is a part of the intellectual capital (IC) discipline. The underlying philosophical approaches of intellectual capital research that illustrate the relationship between ontology, epistemology, methodology and methods are depicted in Table 4 below.

<table>
<thead>
<tr>
<th>Approach</th>
<th>Ontology</th>
<th>Epistemology</th>
<th>Methodology</th>
<th>Methods</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performative</td>
<td>Performative</td>
<td>Post-positivism – critical realism</td>
<td>Qualitative strategy using single case study</td>
<td>Semi-structured interviews, Direct observations, Archivals</td>
<td>Interview transcripts</td>
</tr>
<tr>
<td>Ostensive</td>
<td>Objectivism</td>
<td>Positivism</td>
<td>Quantitative strategy</td>
<td>Survey Meta-analysis</td>
<td>Survey data Secondary data</td>
</tr>
</tbody>
</table>

Source: Mouritsen (2006, pp. 820-841)

This thesis employs the performative approach to HC research as proposed by Mouritsen (2006). This is one of the qualitative approaches which provides a deeper understanding of motivation from the chosen approach. These approaches
was discussed in Chapter Two (paradigm applied in this research). The methodology used in this research design is discussed in the next section.

3.2 UNDERPINNING THEORIES, ASSUMPTIONS AND APPROACHES

This section outlines the underpinning theories that inform the research approach embedded within this study and used in the disciplinary fields of social sciences and business. The section also considers the links between ontological and theoretical perspectives to theory and paradigms of inquiries. There is a difference in social science research that underpins and facilitates how social science research is perceived and applied. This distinction involves a discussion regarding the conceptualisation of reality or truth (ontology), the relationship between the observers and the observed (epistemology), and issues concerning the rigour required when developing or testing knowledge (methodology) as outlined in Table 4 earlier in this chapter.

Explicit knowledge about the ontological and epistemological assumptions that underpin research is necessary to understand the interrelationship of the key components of research (including methodology and methods), to gain a deeper understanding of theoretical approaches to social phenomena, and to recognise others’ research stance and defend the candidate’s research position. Achieving such clarity in social science work is important so that researchers whose work we read and analyse in the research process are explicit about their own ontological and epistemological positions. The best place to start is the relationship between the terms ‘ontology’ and ‘epistemology’, and methodology and methods as used in this study.

3.2.1 Ontology – Social Sciences

Ontology is the starting point of all research which one's epistemological and methodological positions follow logically. Ontology is the personal and intellectual assumptions that researchers make about the world. Ontological assumptions are concerned with what we believe constitutes social reality (Blaikie, 2007). With this in mind, it is not difficult to understand how different scholarly traditions embedded in fundamentally various cultural contexts can have
diverging views about the world, and differing assumptions that underpin their particular approaches to social inquiries. A researcher needs to understand, acknowledge and defend his or her ontological position. An individual's ontological position helps to answer the question: ‘what is the nature of the social and political reality to be investigated?’ (Hay, 2002).

Denzin et al. (1994) identify four main ontologies: positivism, post-positivism, critical theory, and constructivism. There are other variants in the literature (Easterby-Smith et al, 2002; Neuman, 2000; Denzin & Lincoln, 2000; Crotty, 1998; Guba & Lincoln, 1994). These ontologies justify and defend the one that I employ in this thesis as an integral part of the performative approach. Positivism considers that an external reality exists, which can be discovered and understood. A comprehension of reality is often called naïve realism. The positivist epistemological position is one where the observer and the external world (or what could be discovered) are entirely separate. Objectivity is sought through a scientific procedure; thus, truth can be found. In other words, positivism (or objectivism) is “an ontological position that asserts that social phenomena and their meanings have an existence that is independent of social actors” (Grix, 2002, p 177). This is achieved in research by proving hypotheses through scientific experiments and the analysis of confounding conditions. This approach provides sets of immutable laws which enable best emphasis and predicted focus. However, immutable laws and prediction are difficult to create in the natural sciences whilst in the social sciences, they are almost unattainable. This is one of the major criticisms of addressed to positivism addressed by post-positivists who argue that reality or truth exists, but it can only be understood imperfectly.

The opposite of positivism is constructivism (or subjectivism). Constructivism is an alternative ontological position which “asserts that social actors are continually accomplishing social phenomena and their meanings” (Grix, 2002, p 177). This implies that “social interaction is not the only factor which contributes to producing the social phenomena and categories, but they are in a constant state of revision” (Bryman, 2001, p 16-18). As human beings, we construct our meanings and people invent structures (including language) to make sense of what is going on around them (Holloway, 2006). As Crotty (1997, p 9) argues,
Meaning does not come out of an interplay between subject and object but is imposed on the object by the subject. Here the object as such makes no contribution to the generation of meaning. Meaning comes from anything, but an interaction between the subject and the object to which it ascribed.

Post-positivism occupies the position between positivism and constructivism. Post-positivism (also called post-empiricism) is a meta-theoretical stance that criticises and reconceptualises the positivism approach. This approach reintroduces the basic assumptions of positivism: ontological realism, the possibility and desirability of objective truth, and the use of experimental methodology. Post-positivism is not a rejection of the scientific method but rather a reformation of positivism to meet the criticisms. While positivists believe that the researcher and the researched person are independent, post-positivists accept that theories, background, knowledge and values of the researcher can influence what is observed. However, post-positivists pursue objectivity by recognising the possible effects of bias. Post-positivists believe that human knowledge is not based on unchallengeable, rock-solid foundations. Rather, it is open to human ‘conjecture’. Thus, human knowledge is unavoidably conjectural. The assertion of these conjectures is warranted, or more precisely, justified by a set of warrants, which can be modified or withdrawn in the light of further investigation. However, post-positivism is not a form of relativism and retains the idea of objective truth. Post-positivists believe that reality exists, but the past can be known only imperfectly and probabilistically.

Critical theory is a mixture of positivism and post-positivism. Critical theory of post-positivism identifies problems that seek to determine and challenge what is happening in an organisation from a historical perspective: it is primarily qualitative in its approach. According to Howell (2012), a critical theory perspective involves understanding that reality is shaped by social and historical processes and can be viewed as a form of historical realism. Critical theory assumes that research findings and theoretical perspectives of the observer and the observed are intrinsically linked through historical values, which must influence the investigation. This condition results in the adaption of a particular methodology which identifies dialogical and dialectical approaches. Dialogues are
needed between the observer and the observed, and between the past and present. In this methodology, structure and actions affect changes.

The ontological foundations between positivist and constructivist or interpretive paradigms underlying the research methods are fundamentally incompatible with one another (Lincoln & Guba, 2000). The basis of this argument is revealed in their account of the basic beliefs (metaphysics) of alternative inquiry paradigms. Positivism's ontology is termed ‘naive realism’ as reality is deemed both real and apprehendable. While postpositivism's critical realism maintains that reality is probabilistically apprehendable, Lincoln and Guba reject any absolutist criteria for judging either 'reality' or ‘validity’ (2000, p 167). Critical theory offers a historical realism that "virtual reality is shaped by social, political… and gender values; crystallised over time" (2000, p 165). While Constructivism represents "local and specific constructed realities" (2000, p 165), social phenomena are products of "meaning-making activities of groups and individuals" (p 167). Positivism, on the other hand, argues that the observer is separate from the observed and that findings are true. Meanwhile, constructivism is transactionally oriented with its findings subjectively tinged and created (Lincoln & Guba, 2000).

These different ontological positions affect the manner in which one undertakes research. Amongst the ontological positions, post-positivism best reflects my belief in conducting research. I support the belief that human knowledge is constructed; theories, background, knowledge and values of the researcher can influence what is observed, the possibility and desirability of objective truth, and, the use of experimental methodology. Thus, human knowledge can be modified or withdrawn in the light of further investigation. Even though reality exists, social reality may not be determinable (Laughlin, 1995). This then requires ‘empirical detail’ to uncover the underlying reality, making any generalisations more meaningful. This empirical detail refers to the data collected that can be associated with human practice. This ontological position is an essential part of performative ontology (Vosselman, 2014), which is consistent with the performative approach to HC and IC in this thesis.
3.2.2 Epistemology – Social Sciences

The epistemology of social sciences is about ‘how we come to know what we know’ as detailed in Figure 16 below.

**Figure 16. Theoretical Framework.**

Source: Holloway (2006). Developed further by the candidate.

Epistemology, one of the core branches of philosophy, is concerned with the theory of knowledge; it is a knowledge-gathering process regarding methods, validation and the possible ways of gaining knowledge of social reality. In short, this involves claims about how what is assumed to exist can be known (Blaikie, 2000). While knowledge and the ways of discovering it are not static and are forever changing, when reflecting on theories and concepts in general, researchers need to reflect on the assumptions on which they are based and where they originate from in the first place.

Two contrasting epistemological positions within the perspectives above are ‘positivism’ and ‘interpretivism’. Positivism is an epistemological position that advocates the application of the methods of the natural sciences to the study of social reality and beyond. Positive social science (PSS) has been a dominant methodological approach and has been used widely in business disciplines. PSS has been criticised as reducing people to mechanistic numbers and statistics and is not applicable for actual lives and people’s behaviour. The opposite end of the
spectrum is interpretative social science; a meaning system which is socially constructed in which reality is internally experienced and always subjective. Interpretivism can be seen as an epistemological position that is predicated upon the view that a strategy is required that respects the differences between people and the objects of the natural sciences. Therefore, “it requires the social scientist to grasp the subjective meaning of social action” (Bryman, 2001, p 12–13 as cited in Grix, 2002).

Naturalism considers that knowledge and all meaningful reality are contingent upon human practices, being constructed in and out of the interaction between people and their world, and developed and transmitted within an essentially social context in a way that meanings (or truth) cannot be described simply as ‘objective’. The world consists of the world stuff, but the properties of this world stuff had yet to be represented by a mind (Humphrey, 1999). In other words, “meanings are not discovered but constructed” (Crotty, 1998, p 9). This is gained from the understandings about the motivation and perceptions of social actors. Social practices are not natural phenomena; they are socially constructed, and can be changed by the social actors themselves (Demartini & Paoloni, 2013). The natural science approach allows the researcher to investigate the sphere of humanly created meanings and cultures and to explain how some beliefs come to be accepted as knowledge. A naturalised epistemology allows for a justification or vindication approach to the acquisition of knowledge (Holloway, 2006). For those reasons, I employ ‘naturalism’ as the philosophical stance of this thesis providing a context for the process and grounding its logic and criteria.

Aligned with naturalism is ‘critical realism’. This provides a middle path between realism/positivism and nominalism/social constructivism. Critical realism recognises that social conditions and social facts exist and have real consequences whether or not they are observed and labeled appropriately by social scientists (Easterby-Smith et al., 2002). While the different perceptions of reality exist, there is an external physical reality as well as material, social reality that requires empirical detail to uncover the underlying reality and to make generalisations more meaningful (Holloway, 2006).
This intellectual turn, I argue, does provide an effective ‘middle path’ between the extremes of positivism/realism and constructivism/nominalism. This approach best reflects my innate beliefs and values and enables a more proactive and change-oriented approach to the research problem(s) posed in the contemporary world. This epistemological position leads one to employ a paradigm, a different methodology, and different views about the same social phenomena discussed further in the next section.

**Table 5 Paradigms of Inquiry**

<table>
<thead>
<tr>
<th>Item</th>
<th>Positivism</th>
<th>Post-Positivism</th>
<th>Critical Theory</th>
<th>Constructivist and Participatory</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ontology</strong></td>
<td>Reality can be totally understood. Reality exists and it can be discovered.</td>
<td>Reality may only be understood imperfectly and probabilistically. Reality exists but humanity is unable to totally understand it. Critical-Realism</td>
<td>Reality is shaped by history, formed by values that are crystallised over time.</td>
<td>Reality is locally constructed, based on experience although shared by many. Dependent on person/group changeable. Participatory: co-created through mind and world. (Relative-Realism) Breakdown of a clear distinction between ontology and epistemology</td>
</tr>
<tr>
<td>The form of reality. What can be known about reality?</td>
<td>Naïve-Realism</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Epistemology</strong></td>
<td>The investigator and the investigation are totally separate. Values are overcome through scientific procedure. Truth is a possibility.</td>
<td>Abandonment of total separation of investigator and investigation. Objectivity is still pursued.</td>
<td>The investigator and the investigated are linked. It accepts that historical values influence the inquiry. Results are subjective.</td>
<td>As critical theory. However, the findings are created as the investigation proceeds. Participatory: paradigm findings are developed between the researcher and the cosmos.</td>
</tr>
<tr>
<td>The relationship between the investigator and what can be discovered</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Methodology</strong></td>
<td>Scientific experiments are based on hypothesis. These are usually quantitative. Conditions that <strong>confound</strong> are manipulated.</td>
<td>Multiple modified scientific experiment. Pursues falsification of hypotheses. This may include qualitative methods.</td>
<td>This requires dialogues between investigator and the subject of investigation. Structures may be changeable. Actions affect change.</td>
<td>Creating a consensus through individual constructions including the construction of the investigator. Participatory: similar methodologies can</td>
</tr>
</tbody>
</table>
be employed (primarily action research).

Source: Latour (2005)

### 3.2.3 Paradigm Applied in this Thesis: Performative Approach

The research paradigm applied in this thesis is a performative approach to HC and IC research as briefly discussed in chapter one and further discussed in chapter two. The performative approach to HC is based on Latour’s actor networks theory (2005). Latour (2005) analyses and points out that the object of an ostensive definition remains there, but, the object of a performative definition vanishes when it is no longer performed. Additionally, the nature of the social is negotiable, a practical and revisable matter (performative) and not something that can be determined once and for all by sociologists who attempt to stand outside it (ostensive) (Latour, 2015). Thus, knowledge is not a function of (re)acquaintance with universal forms through abstract reasonings but the product of individual cognition created by people.

This is different from the ostensive approach which is defined by a stable ontology whilst the performative approach is defined by a variable ontology. Table 6 below identifies the key theoretical tenets of the ostensive and performative approaches (Latour, 2005).

**Table 6. The Key Theoretical Tenets of the Ostensive and Performative Approaches**

<table>
<thead>
<tr>
<th></th>
<th>Ostensive</th>
<th>Performative</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ontology</strong></td>
<td>Objects have a stable ontology defined by universal ideals</td>
<td>Objects have a variable ontology that changes depending on ties in actor-networks</td>
</tr>
<tr>
<td><strong>Material Agency</strong></td>
<td>Power is centralised and action has intended</td>
<td>Power is dispersed to humans and non-humans, consequences and action has sometimes unintended effects</td>
</tr>
<tr>
<td><strong>Methodology</strong></td>
<td>Researchers “black box” social objects and create predefined building-blocks of how the world works.</td>
<td>Researchers trace the footsteps of diverse actors and study how “black boxes” are assembled</td>
</tr>
<tr>
<td><strong>Definition of social life</strong></td>
<td>In principle, it is possible to discover the properties which</td>
<td>It is impossible in principle to define the list of properties</td>
</tr>
</tbody>
</table>
are typical of life in the society and could explain the social link and its evolution, though in practice they might be difficult to detect; Social actors, whatever their size, are in the society defined above; even if they are active, as their name indicates, their activity is restricted since they are only parts of a larger society; The actors in the society are useful informants for those who seek the principles that hold the society together, but since they are simply parts of the society, actors are only informants and should not be relied on too much because they never see the whole picture; With the proper methodology social scientists can sort out the actors’ opinions, beliefs, illusions and sort out the actors’ opinions, beliefs, illusions and and piece together the whole picture behaviour to discover typical life in a society.

Latour’s (2005) analysis of the ostensive versus performative approaches illustrates how different theoretical choices and different paradigms (or worldviews) are brought to bear by social scientists and the assumptions they share about the phenomena being studied. Chua (1986 as cited in Boedker, 2010) argues that mainstream, ostensive, accounting research shares a particular worldview that emphasises hypothetical-deductivism and technical control. Clearly, the two worldviews make different assumptions about what is “worthwhile” and “acceptable” research. The ostensive lens assumes that social objects have a stable ontology. The performative lens, in contrast, argues that the essence of objects changes depends on the relations in actor-networks. “Entities obtain their forms as a consequence of the relations in which they are located” (Law, 1999, p 4).
Much research in business discipline has taken an ostensive approach while only a few studies have adopted the performative perspective (Langfield-Smith, 1997). Some studies using the ostensive approach have employed contingency theory (Simons, 1987; Shank & Govindarajan, 1992) and the work of positivist theorists (Kaplan & Norton 1992, Ittner & Larcker, 2003). The ostensive approach offers benefits, for instance, because it reduces the complexity of research sites and allows the aggregation and analysis of many data points to form a supposedly more “coherent” picture (or truth) about how the world operates via a quantitative focus. A major shortcoming of this approach is that it assumes that stability, orderliness and predictability characterising social life which is not often the case in practice. Furthermore, the ostensive approach embodies contingency assumptions about “best fit” whereby accounting is designed “to follow” and is granted little agency except to implement predefined outcomes (Boedker, 2010). The performative lens challenges these linear assumptions about “best fit” and suggests that the world is often a messy place where predictions and linear pathways are not always possible. For example, strategy is seen to be emergent, often in flux, and constantly changing as many 'actors' perform it. Similarly, Lee and Hassard (1999, p. 399) view the process as the impact of ready-made entities on one another, which imposes unnecessary limits on the range of viable research questions. Thus, the performative approach questions the ability of researchers to determine a priori the form and properties of the social.

To this end, performative scholars examine the social as fluid and observable only ‘in action’ and focus on subjectivity (what is real) rather than objectivity (what is ideal). They are concerned with unpacking “black boxes” and abstract nouns, such as strategy, and investigating what it means “to strategise” in practice, the act of doing, not of being. The assumptions of rationality and order are questioned; organisational and social life are assumed to be inherently emergent. The social does not follow a predetermined or prescribed route. Instead, there are many possible constructions of life events. Aligned with the performative ontology and adopting actor-network theory (Latour, 1996, 2005), this thesis employs a performative approach to HC research as suggested by Mouritsen (2006) and Boedker (2010). Performative approach to HC research has been discussed earlier.
in chapter two. Aligned with the performative approach is a performative case study, which is discussed in the next section.

3.2.4 Performative case study

A case study is a strategy where qualitative inquiries dominates with strong naturalistic, holistic, cultural, phenomenological interests (Denzin et al., 1994). Such an approach focuses on understanding the dynamic present within a single setting (Huberman & Miles, 2002). Case studies are useful to provide the description, theory testing or theory generating (Eisenhardt, 1989). In the accounting field, case studies have been promoted as a valuable method of accounting research (Otley, 1999; Cooper & Morgan, 2008; Hakim, 2016).

In the theory of human learning, case studies produce context-dependent knowledge. Research on human learning indicates that there exists a qualitative leap in their learning process from the rule-based use of analytical rationality in beginners to the fluid performance of tacit skills in human experts (Bourdieu, 1977). For researchers, a case study reflects more real life situations and a multiple wealth of details, which are important in two respects. Firstly, human behaviour cannot be meaningfully understood as rule-based acts found in many theories. Secondly, context-dependent experience obtained from cases are important for researchers’ learning processes in developing research skills. Moreover, social science has not succeeded in producing general context-independent theories. the case study is well suited to produce this context-dependent knowledge (Flyvbjerg, 2006). The evidence is hard to come by in social science research because of the absence of ‘hard’ theories, whereas learning is possible. As predictive theories and universals are difficult and problematic in the study of human affairs, concrete context-dependent knowledge gained from learning processes is more valuable than the vain search for predictive theories and universals (Flyvbjerg, 2006).

Most case studies are ostensive in nature (Hansen, 2011). The ostensive case study research involves some features of the inductive process of data collection, such as problem definition and construct validation. Ostensive case studies are similar to hypothesis-testing research and the definition of research questions
aims to focus on efforts and construct validity which provides better grounding of construct measures (Eisenhardt, 1989). The ostensive approach has dominated many studies in the area of intellectual capital research. However, these efforts stop at valuing, and measuring IC (especially human capital) and do not explain how IC works in organisations and what impact it has. The criticisms about the issue of generalisation and subjective interpretation (Flyberg, 2006) in ostensive case studies was that employing the performative case study approach into IC research is necessary to improve the relevance of IC to be applied in a specific context.

For that reason, the performative case study is employed to improve the relevance of the human capital to be applied in a particular context (Guthrie, et al., 2012; Dumay, 2013). This thesis applies the performative case study approach in accounting research as framed by Hansen (2011). Hansen (2011) analyses the ostensive case study based on Yin’s work (1984) and the performative case study based on Latour’s argument (1987) as depicted in Table 7 below.

**Table 7 Ostensive and Performative Case Study**

<table>
<thead>
<tr>
<th>The role of theory in case study research</th>
<th>The Ostensive Case Study</th>
<th>The Performative Case Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>The aim of the case study is theory building. Theory is about regular and general significances of a phenomenon. Theory is the basis for explanation.</td>
<td></td>
<td>The aim of the case study may be to illustrate how practice transcends theory, and how theoretical abstractions or conceptualisations are always conditioned, altered, and transcended by practice.</td>
</tr>
</tbody>
</table>

| The role of domain literature | The domain literature represents the body of knowledge in regard to particular phenomenon – this is where the theory is. An orientation in the domain literature is necessary in order to contribute to the accumulation of knowledge. | The domain literature could be a resource in terms of positioning and interesting others in the study. The key is tension between the study and the domain literature’s abstractions and conceptualisations that interests other researchers. The need is to relate the study to the domain literature and the fluidity of practice becomes obvious. |

| Data collection | Collecting different forms | “Following the actor” but also |
The Ostensive Case Study

of data (interviews, observations and surveys) enables us to gain a better insight into the principle significance of phenomena. Triangulation is a fruitful strategy.

The Performative Case Study

recognition of the value of different forms of data, such as interviews, observations, document studies, etc. both represents resources that the researcher can exploit in terms of bringing translation/enactments of theoretical abstractions/conceptualisations into focus. More data – more resources.

Data analysis

The aim of data analysis is to explore a phenomenon in practice and to generalise analytically. The case study enables us to refine or develop existing theory or to construct new theories. The analysis must be rigorous in order to carry out an analytical generalisation.

The aim of analysis is to produce interesting descriptions of practice that illustrate the heterogeneous, performative, and relational character of theoretical abstractions and conceptualisations. The aim is to unlock established views on a phenomenon’s significance and to illustrate “the power of practice”.

Evaluation criteria

Conceptual validity, internal validity, external validity and reliability

Conceptual clarity, consistency, interest, and realism.

Sources: Hansen (2011, pp. 108-138)

Hansen (2011) sums up by arguing that the performative case study aims to illustrate how practice transcends theory and that the literature could be a resource regarding positioning others in the study. The researcher can exploit different forms of data as resources, but focuses primarily on the actors. Therefore, the data analysis aims to describe practices and to illustrate the heterogeneous, performative, and relational characters of theoretical abstractions. The evaluation criteria in the performative case study focus on conceptual clarity, consistency, interest, and realism rather than validity and reliability (Hansen, 2011).

Performative case studies based on performative realism build upon the assumption that reality is not directly accessible but is continuously translated or constructed by actors in practice (Latour, 1987). The performative stance is that knowledge is performed and, thereby, inconstant and labile because the
performative focuses on particularities and facts. The theory is an effect and practices explain the theory. For the performative, there are no general or abstract variables that explain a phenomenon; rather, there are only heterogeneous relations mobilised and related in a specific practical setting to the phenomenon studied. Therefore, performative researchers focus on the practices and actors in a particular setting.

The single performative case study of OUI aims to provide a better insights into key issues. In this thesis, the results from interviews with participants help to gain a deeper understanding of the HC practices inside the university with key themes emerging during the semi-structured interviews. The study demonstrates how human capital can either enhance or inhibit (the development of) human capital practice in OUI, create organisational values for OUI, and contribute to enhancing the performance of OUI.

3.3 RESEARCH METHODS

A research method within a methodology has two elements: actual techniques that are used or steps taken to collect data pertinent to research problem and the activities that a researcher employs to ensure that he/she can accumulate the relevant data. This study employs a semi-structured method using a judgemental sampling selection process, a participant observation method, and archival data (including access to internal documents, reports, the government required reporting documents, and other reports related to this project).

3.3.1 In-depth Semi-Structured Interview

Two principle positions on research interviews can be identified: neo-positivism and romanticism (Silverman, 2006). Neo positivism focuses on establishing facts or truth about reality through the following research protocol (structured interviews). The problem with this is that interviewees (respondents) may produce only superficial and cautious responses. While romanticism focuses on meanings, advocating a more genuine interactivity with and closeness to interviewees can be done through unstructured interviews (Alvesson, 2003). Consistent with the performative-ontological approach, between two continua of neo-positivism and romanticis, this paper takes a middle-range position (social construction of
situated accounts), situating the interviews with a semi-structured approach (Laughlin, 1995). The candidate utilised a semi-structure interview framework in this thesis because this has roots in human conversation, thus, it is the most effective and convenient means of gathering information (Kvale & Brinkmann, 2009).

The semi-structured interviews in this thesis follow Alvesson's (2003) localist perspective which emphasises that interview statements must be seen in their social context. The interviews aim to investigate the thoughts, perceptions, and opinions of the participants in a fuller and deeper sense about human capital practices in OUI. This involves predetermined questions guided by the performative approach used and related to the research questions that are proposed to elicit more precise responses. Thus, the focus is on the interview guide incorporating a series of broad themes to be covered during the interview. The interview guide helps the candidate to direct the conversation toward the topics and issues about which the interviewers want to acquire and analyse (Fontana & Frey, 1998). The interviews focused on the key elements of human capital, performance and value adding. They followed an interview guide to capture the development of human capital in OUI and the contributions for adding value to OUI. The initial interviews with senior management officers were conducted after in-depth interviews with the rest of groups of respondents to confirm the results of an earlier pilot study and issues around the human capital practices of the university. This process continued for the remainder of the participant groups in follow-up meetings to investigate the thoughts, perceptions, and opinions of the participants.

Despite the benefits, using semi-structured interview does have drawbacks. Firstly, there is researcher bias where researchers interpret the conversation based on their own judgment. There is a danger of simplifying and idealising the interview situation based on the assumption that interviewees are competent and moral truth tellers who act in the service of science and produce the data needed to reveal their experiences and/or the facts of the organisation under study. Secondly, there is the inability of participants to provide relevant information which can limit the investigation. Thirdly, there can be memory bias by the
respondents which might lead to wrong interpretations of data by the researcher. This condition can occur, for instance, when the interviewees do not give permission to be tape-recorded and the information supplied by the respondent is too extensive to be recorded manually. In this situation, the candidate in this thesis repeated the questions on related issues to confirm what had been stated. Fourth, free responses are difficult to analyse (O’Dwyer, 2004). Even when the interviewer and the interviewee seem to be speaking the same language, their words may have entirely different cultural meanings (Qu & Dumay, 2011). Creswell and Miller (2000) hold the view that interview data could be deceptive. In this thesis, the candidate repeated the questions on related issues to confirm what had been stated. The candidate also used various data resources including literature, observations, and archival data to increase clarity and consistency. This allows the skillful interviewer to modify the style, pace and ordering of questions to evoke the fullest responses from interviewees. Most importantly, this enables interviewees to provide responses in their own terms and in the way that they think and use language. This is valuable if researchers are to understand the way interviewees perceive the social world under study.

3.3.2 Observation

Observation is a method in which a researcher takes part in the daily activities, rituals, interactions, and events of a group of people as one of the means of learning the explicit and tacit aspects of their life routines and their culture (DeWalt & DeWalt, 2002 in Wolfe & Kay, 2011). Observation aims to support the data obtained from the interviews and to gain close familiarity with the human capital practices and value adding activities through an intensive involvement with the participants in a natural environment. As a PhD candidate, I conducted two types of observations: firstly, as an observer being an embedded actor in OUI due to my status as an academic (auto-ethnography); another part of my observation was through students discussion forums in social media (netnography) in which students engaged with OUI learning activities.
3.3.2.1 Auto-ethnography

Autoethnography is a form of self-reflection and writing that explores the researcher's personal experience and connects the autobiographical story to wider cultural, political, and social meanings and understandings in a qualitative case study (Ellis, 2004; Marechal, 2010; Adams et al., 2015). This involves personal experience narratives within analytic and empirical phases whereby issues emerging from the interviews are interpreted; Thus, autoethnography focuses on the writer's subjective experience rather than, or in interaction with, the beliefs and practices of others (Ellis & Bochner, 2000). The benefits of autoethnography are the ways in which research of such a personal nature might give insights into problems often overlooked in cultural issues such as the nature of identity, the roles in social life, life in academia, and so on.

The reason for including auto-ethnography in this study is due to the positive response to a perceived lack of transparency about subjectivity within the process. With the help of autoethnography, the candidate can interpret the issues emerging from the interviews and observations framing working experience within OUI. The candidate has been involved in the university as an academic staff member from 2005 to date. The autoethnography approach adds an additional degree of field observation and greater analytical depth to the organisational occurrences within the university in the period related to this thesis (Holloway, 2006).

In addition to helping a candidate make sense of his or her individual experiences, autoethnography must be literary, present cultural and political issues, and articulate a politics of hope (Denzin, 2003). The author shows rather than tells, develops characters and scenes fully, and paints vivid sensory experiences (Ellis, 2004). While advocating autoethnography for its value, there are several concerns about autoethnography. The elements that should be avoided in doing autoethnography include: excessive focus on self in isolation from others; overemphasis on narration rather than analysis and cultural interpretation; exclusive reliance on personal memory and recalling as a data source; negligence of ethical standards regarding others in self-narratives; and inappropriate application of the label autoethnography (Chang, 2008, p. 54). Autoethnography,
no matter how personal, should always connect to some larger elements of life (Krizek, 2003).

3.3.2.2 Netnography

As part of the observation process in OUI, netnography was also employed. Netnography is a qualitative research methodology, a form of interpretive research that uses ethnographic research techniques for studying online communities (Kozinets, 2010). The internet has revolutionised word of mouth communication, creating strong online communities which allow many universities to deliver learning experiences and educational services online. Experience is something singular that happens to an individual which researchers cannot directly access (Caru & Cova, 2008). Thus, researchers only interpret what their subjects have expressed orally, in writing or through their behaviour. However, the methodologies typically used to research experiences, such as interviews and focus groups, have limitations such as respondent inhibition (Elliott & Jankel-Elliot, 2003). Instead, it is important to understand the private nature of experiences to be studied. With the help of netnography, online community research can be done either by actively integrating the members and ideas of the community or by passively monitoring the community and integrating the gathered informational knowledge into the new products development process (Kozinets, 2015), which is relevant to investigating the value-adding process in this thesis.

As a method, netnography is relatively simple and less expensive than other ethnographic methods; it is also more naturalistic and unobtrusive compared to focus groups and interviews. Netnography uses the information publicly available in online forums to identify and understand the needs and decision influences of relevant online consumer groups (Alavi, 2014) such as student online forums. Netnography has been extensively used to observe consumer behaviour (Kozinet, 2012), and in the education field it captures and examines learning occurring in informal sites, especially in online communities (Sandlin, 2007). Applying netnography in HC and IC research is expected to ensure state of the art IC
research by adapting the most current relevant data sources, technologies and research methodologies available (Dumay, 2014).

Netnography is relevant to the performative approach to HC research adopted in this thesis. With the help of netnography, the candidate can understand students’ experiences during their studies at OUI by accessing the student online forums and fan pages available publicly online. OUI currently has 500,000 active students who live in remote and regional areas of Indonesia and other countries. With the ICT support provided by OUI, they have been extensively engaged online both formally (in the online tutorial, administration system support) and informally (via informal sites such as student forums, facebook and twitter). These online forums are useful to understand issues arising during the learning process. With the help of netnography, the candidate was able to access the information from users who are highly experienced and very involved (students, tutors, and administrators) in large quantities derived from conversations in student forums. Thus, netnography can help the candidate with regard to the utilisation of user information for qualitative analysis.

According to Bartl et al. (2016) steps and procedures are included in typical netnography research which the thesis follows. Firstly, this involves the definition of the field of innovation as well as the systemisation of topics, trends, and objects which are of major interest. Secondly, is to identify communities and internet sources where users exchange relevant information on the defined research area. There are some qualitative criteria (including topic focus, data quality, language type, and interaction type) and quantitative criteria (number of messages, frequency of usage, member activity, data quantity, or interaction level). Thirdly, the researcher selects the online communities to be observed and immersed in. In this thesis, the candidate utilised OUI student online forums around the topic of the utilisation of online distance learning system by the students, the learning delivery they have experienced and the educational service provided by OUI. This is accomplished by extensive reading with the focus on conversations which are recent, extensively corresponded to, referenced, and frequently viewed by the community members. The analysis is conducted in the natural context of community. Thus, it is free from the bias which may arise from the involvement
of the researcher. The fourth is data analysis and aggregation of students’ insights by thinking about the noticed and collected online students’ statements to look for patterns and relationships within and across the collections of students’ statements and to make general discoveries about the subject matter of the research. Therefore, the candidate was able to compare and contrast the collected student records to discover similarities and differences and to build typologies or find sequences. A major challenge in the netnography process is to transfer the obtained insights into information useful related to educational service that OUI provided and value-adding outcomes that have been experienced. The implication of the results from using netnography in this thesis is to provide a more accurate analysis of results from more naturalistic and unobtrusive data.

3.4. DATA COLLECTION

Conducted in one of the world’s largest Open Universities, this study employs interviews, observation and archival data. The use of multiple data collection methods in this study aims to strengthen the findings through triangulation of evidence. The triangulation process in this thesis uses the evaluation criteria for performative case study which focus on conceptual clarity and consistency, rather than validity and reliability (Hansen, 2011). This study uses the qualitative data supplemented by interviews, observations, archives combined with quantitative data of archives to provide a synergistic view of the evidence. Flexible and capable data collection methods from the case study site allowed the candidate to identify emergent themes and unique case features.

3.4.1 Case Study Site and Participant Selection

Open University Indonesia (OUI) was chosen as the case study site due to its size (represented by the number of students), its heterogeneous nature (represented by demography), and the complexity of the system (represented by geography and the established system). By examining the organisational structure and composition of the work groups in the university, judgemental sampling was initially used. The respondents were invited to participate by representing the group based on their role in value-adding processes.
The target groups for interviews included 44 respondents which composed of five
groups of stakeholders: academics and tutors (13), specialists/academic supports
(9), management (8), students (11) and others (3) involving government,
employer, and accreditation body/assessor as depicted in Appendix 1. The sample
size has fulfilled the requirement for conducting a qualitative interviews (Mason,
2010).

3.4.2 Pilot Study

The candidate developed in-depth interview questions as part of a pilot study
process employing a mini-Delphi. A pilot Delphi involves only a limited numbers
of people, in this case 5 individuals. It was conducted over only one round. The
Delphi technique was utilised in the pilot study as a consensus building process to
ultimately understand the concepts of human capital, performance and value
adding in OUI. The pilot was conducted before the interviews began in December
2013. Some individuals were selected from the identified key group of
participants. Most were senior academics with positions in management. The
Delphi questionnaires were distributed by email and the responses were sent back
via email. I then followed up the Delphi round with interviews and face-to-face
discussions with the participants individually.

This enabled to judge and analyse carefully each panellist’s judgements,
minimising problems such as distractions or influence by other panellists. The
pilot Delphi process employed a set of open-ended questions around the notion of
human capital, performance, value for proposition and value adding, strategic
direction, factors that hinder/promote the development of human capital in OUI to
help deliver ODL to a high-quality standard, as well as implications about future
strategic direction. In-depth semi-structured interview questions were then
developed based on the results of the pilot Delphi results.

3.4.3 Interviews

Research interviews have been widely used in field studies. The design of the
interview questions was based on Patton’s (2002) suggestion, that is to ask value
questions that reflect on the issues and help to answer the research questions,
including questions about behaviours, opinions, values, feelings, knowledge,
sensory, background and demography. Corbin and Strauss (2008, p. 29) suggested that the data collection process helps the researcher establish whether more interviews should take place, and if so, what types of questions should be asked.

The interview guide which was developed by the researcher was reviewed by Murdoch University’s human research ethics committee and tested in a pilot study involving a small panel. A judgemental sampling process was used to select the groups of stakeholders in the university including academics and tutors, specialists and academic support, management, students and other interested parties such as government, employers, and accreditation body/assessor. Forty one participants were invited to participate in the interviews. The pilot study involved 5 participants from the group of senior academics who were also former senior managers in the university. There were approximately twenty questions for each group based on the key issues developed from the mini-Delphi during a pilot study. The interviews were conducted three times between December 2013 and January 2015.

During the interview process, the researcher proposed general questions followed by additional questions that were more specific in nature (Miles & Huberman, 1994). General questions are able to reveal the first responses that came to mind. For example, ‘What is your understanding of human capital?’ resulted in some respondents answering by associating human capital with different discipline areas and some referred to a person or group of people. More specific questions are about human capital related to the components of HC in the university, the internal core processes, the philosophy, the system and other work environmental factors that contribute to value creation and value adding process of HC. The interview questions are outlined in Table 9.

The interviews were conducted individually and face-to-face after the candidates were contacted. The participants interviewed were given a brief description about the research and the benefits it gives to higher education organisations in Indonesia. The interviewees were given an informational letter in the interview describing key issues, such as the research procedures, purpose of the study and contact information of the researcher for further enquiries. The interviews were
primarily conducted in Bahasa Indonesia, which is the language spoken by locals in the country, while some interviews were conducted in English. This strategy ensured that there were minimal communication barriers and there was mutual understanding between the interviewees and the candidate (Temple et al., 2006).

Each interview was planned to last approximately thirty minutes. However, the duration of the actual interviews ranged from thirty to ninety minutes. After the interviews, the data were transcribed, but the transcripts were kept in the original language of the interviewees. Key points of original transcripts were translated into English with the candidate ensuring that the translation from Bahasa to English was as accurate as possible (Temple et al., 2006).

3.4.4 Archives

In order to help candidate analyse the data, archival data related to human capital practices in OUI were also used. Archival data included systems and procedures related to finance and reporting, human resources development, performance and rewards system, and other systems and procedures related to learning deliveries and evaluation.

3.5 DATA ANALYSIS

The nature of qualitative research and interview methods requires the researcher to group or categorise the data after data collection and data production. Data analysis is one of the most important phases of qualitative research because of its role in generating findings that transform raw data into new knowledge (Cresswell, 2005). A large amount of qualitative data was collected in this study. The documentary evidence was both qualitative (data from interviews transcripts and observation notes) and quantitative archival data (data from reports). There were several steps in the analytical process including sorting, organising, conceptualising, refining, and interpreting the data. The next section discusses the method used and the process of data analysis.
3.5.1 Data Analysis Method

The data analysis was conducted by linking the research questions and the key themes with the theory of human capital and theory of strategy and control system based on the paradigm applied in this research as depicted in Table 9 in Chapter 4. The data collection from the interviews, observations and archival documentation generated a large amount of data. The data from the interviews was translated and analysed using NVIVO to generate codes. During the translation process, translation issues arose when the data collected in Bahasa Indonesia was translated into English (see section 3.5.2). The codes generated from the interview data were then sorted and clustered based on their meaning and coded in a coding system (see Table 8 in section 3.5.3). The codes in the coding system were then clustered into groups based on the keywords in this thesis: ‘human capital’ and ‘value adding’. The coding system resulted in thirty-four codes which were grouped into five key themes following the paradigm applied in this thesis: a performative approach to HC.

3.5.2 Translation Issues

There is a danger of simplifying the interview situation based on the assumption that interviewees are competent; they are moral truth tellers acting in producing the data needed to reveal their experiences (Alvesson, 2003, p 14). Even when the interviewer and the interviewees seem to be speaking the same language, their words may have entirely different cultural meanings (Qu & Dumay, 2011). For example, even if Javanese people say ‘yes’, it does not mean that they agree with the given statement.

Problems also arise in the translation process where the data are collected in more than one language. This raises issues about the act of translation between languages. The first is the epistemological and ontological positions of the researcher and the second is the status of language including issues of language power and hierarchy (Temple & Young, 2004). If the researcher puts herself as an objective instrument of the research, the focus is on the elimination of bias potentially raised within the translation process to ensure the validity of source data, for example, the use of back translation technique (Edwards, 1998). Since
the data was collected in English and Bahasa, the candidate kept the source data in the original form. Transcribing was made in the language in which the data was collected and translations were conducted at the data analysis stage in which the candidate can perform both translation and back translation to ensure consistency.

Methodological and epistemological challenges arise in that people using different languages may construct different ways of seeing social life (Temple & Young, 2004; Qu & Dumay, 2011). For individuals who speak the dominant language of a country, the language of power applies. Therefore, the researcher needs to exercise neutrality in the construction of meaning based on language expression. For the social constructionist, interpretative and non-positivist and the other approaches to knowledge and how it is produced, acknowledging the location of a social world influences the way people see it (Temple & Young, 2004). In the performative ontological position, the candidate subscribes to this view. The candidate who also acted as a translator must form part of the knowledge production process to ensure a neutral position from which to translate and to acknowledge the power relationships within the research. The translation problem can be minimised not only through a discourse between texts but, as Simon (1996) argues, language as rhetoric, logic and silence and the relationships between these. Doing this process, the cultural background of the language retrieved is involved and an advanced level of literacy is needed. Goebel (2015) offers a way of understanding some of the (translation) issues by focusing on the meanings of bits of language in the Indonesian society and the way they are interpreted.

There are methodological, epistemological and ontological consequences in choosing translation methods. The early domestication of research into English may mean that the ties between language and culture disadvantage non-English speakers. The decision to delay translation into English for as long as possible may be based on a political recognition of the ontological importance for people in their first language and the implications of colluding, through early translation, with the invisibility of some languages and their users. In the case of languages such as Bahasa Indonesia and ‘domestic’ languages such as the Sundanese and Javanese languages, there are no written equivalents in English. Thus, the
researcher is faced with complex issues of a medium as well as these of power. The translation itself has the power to reinforce long-standing cross-cultural relationships, but power that rests in translation is executed and integrated into the research design, not in the fact of translation per se.

Based on the above reasons, the interpretation of the results was done by the candidate herself. This role cannot be replaced and the primary part of interpretation such as identifying themes, patterns and categories must be done by the researcher in person (Easterby-Smith et al., 1991).

3.5.3 Coding

In conceptualising the coding, the candidate started with the relationship between the research questions and the coding system by following and analysing several constructs that were explicit in the research questions. A coding system aims to understand and analyse the data. The process used to develop the coding system was based on the principles used by Berliners (1992 in Weston et al., 2001).

Firstly, coding is not what happens to analysis but what comes to constitute an important part of the analysis. Secondly, the researcher builds codes through the creation of interpretation and understanding of the phenomenon being studied. Thirdly, collaboration in qualitative research requires a kind of rigor that an independent researcher might not be aware of. This thesis considers these aspects in developing the coding system.

The codes were generated by using the research questions as a framework: What are the elements of human capital embedded in OUI? How does human capital create values for OUI regarding the contribution of HC to the strategic direction and management of OUI? How can human capital help OUI (contribution to organisational performance) deliver the OUI’s proposed set of values and value-adding outcomes to the university’s stakeholders, especially students? The first question was classified into the first of two categories of the coding system, namely: “human capital” and “value adding”. Two codes were identified from human capital: “who is human capital”, “what are the elements” and two codes from value adding: “what is value-adding”, “how does human capital add value”.
The coding system was essentially developed from the research questions and interview transcripts.

The interviews were transcribed and checked for accuracy by the researcher; then, unnecessary parts were deleted. The researcher then coded the transcripts and issues of relevance and interests were identified and classified. There was no limit to the number of codes that could be constructed in this manner. The codes were determined to address the research questions and were checked as to whether they applied to selected interview transcripts. A group discussion with peers was conducted to come to an understanding of the meaning of each code and to look for evidence to support and construct the suggested codes. A generating codebook is a process of continuing cycle of tryout and revision and through this process, new codes were discovered. This process resulted in 34 codes as set out in Table 8 indicating that there were 34 key issues within the interview transcripts that were potentially of interest and relevance for further analysis.

A further coding stage involved the coded passages from each interview transcript being highlighted using qualitative data analysis software package (NVivo). NVivo was employed to help the candidate code, sort and collapse data; it helped to track and collate the data electronically from the interview transcripts that had been classified under each code. A particular passage (or part of passage) could be, and often was, allocated to more than one code, where it dealt with more than one issue of relevance and interest.

The passages with all the codes were then re-read and linked to each other in a large group to collapse codes. 'Collapsing the codes' refers to the stage where researchers look for common themes and patterns, and where key issues begin to emerge from the vast amount of initial interview data (O’Dwyer, 2004). At this stage, researchers look for common themes and patterns as the emerging issues were identified. In a further stage of collapsing the codes, selected passages were then coded in previous coding rounds and allocated to key themes. These key themes emerged from the interview analysis. Further analysis of the data collection is reported in chapter five. The collapsing of codes of analysis
established five key themes related to the topic of human capital practices in the university as detailed in the section below.

3.5.4 Diagram of Themes

Figure 18 below shows the links between the major themes in this study, which emerged from the review of the literature on human capital.

**Figure 17 Diagram of Themes**

1. **Human Capital**
   Human capital theme includes the component of HC (Mayo, 2012; Flamholtz & Randle, 2012), the structure of HC at a unit-level (Ployhart et.al., 2013) and the role of HC to acquire, to develop and to retain HC (HC function) in OUI context.

2. **Online and Distance Learning**
   Online and distance learning theme includes policies, practices in the ODL system and the role of HC in ODL system.

3. **Strategy and Control System**
   Control is the balancing act for the tensions that arise in attempting to align organisation, strategic direction (business strategy) and human behavior
(Schein, 2010). Thus, the control system has important levers (beliefs systems, boundary systems, diagnostic control systems, and interactive control systems) in managing the inherent tension between opportunity seeking behavior and limited attention to create value for organisation.

4. Leadership and Organisation Culture
Leadership is a process of social influence which optimises the efforts of human resources towards the achievement of a goal. Organisational culture is a system of shared values and beliefs that lead people to behave in organisations towards achieving organisational objectives.

5. Performance and Value Added
Performance for competitive advantage is the organisational ability to create more economic value than its competitors. Value added refers to elements being provided beyond the standard of expectation, and value added features provide a competitive edge for the organisation. Thus, performance in this thesis refers to the ability of the university to provide value added outcomes to its stakeholders.
Table 8. Coding System ‘Human Capital and Value Adding’

<table>
<thead>
<tr>
<th>Human Capital</th>
<th>Value Adding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Who is HC?</strong></td>
<td><strong>What does HC comprise of?</strong></td>
</tr>
<tr>
<td>#1. Academics and</td>
<td>#4. Independent, discipline (behavior)</td>
</tr>
<tr>
<td>tutors</td>
<td></td>
</tr>
<tr>
<td>#2. Academic</td>
<td>#5. IT Skills</td>
</tr>
<tr>
<td>support (specialists</td>
<td></td>
</tr>
<tr>
<td>and administration</td>
<td></td>
</tr>
<tr>
<td>staff)</td>
<td></td>
</tr>
<tr>
<td>#3. Students and</td>
<td>#6. Analytical skill, decision-making skills (expertise)</td>
</tr>
<tr>
<td>graduates</td>
<td></td>
</tr>
<tr>
<td>#7. Further</td>
<td>#13. Unit performance</td>
</tr>
<tr>
<td>studies, training</td>
<td></td>
</tr>
<tr>
<td>(qualifications)</td>
<td></td>
</tr>
<tr>
<td>#8 Online and</td>
<td>#21. Control system- Belief:</td>
</tr>
<tr>
<td>distance learning</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>What does HC do? (The function of HC)</strong></th>
<th><strong>What drives HC?</strong></th>
<th><strong>What is VA?</strong></th>
<th><strong>How add value?</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>#17. Organisational factors/ internal</td>
<td>#26. Accredited</td>
<td>#29. Qualification in the system: Widen access, curriculum, assessment, registration</td>
<td></td>
</tr>
<tr>
<td>condition: Openness philosophy</td>
<td>degree</td>
<td></td>
<td></td>
</tr>
<tr>
<td>#18. Strategy – internal organisation</td>
<td>#27. Flexible</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>programs offered</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(scheme and cost)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>government regulation, social economic</td>
<td>to education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>conditions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>#20. Leadership: Top-down/ bottom-up</td>
<td>#31. Qualifications</td>
<td></td>
<td></td>
</tr>
<tr>
<td>leadership,</td>
<td>of the graduates: employment rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>#21. Control system- Belief:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>#32. Qualifications of academics: ODL</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>skills, Multimedia authoring, online</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>tutorial, F2F tutorial, consultation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>group</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>#33. Qualifications of services: 24/7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Capital</td>
<td>Value Adding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------</td>
<td>-------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Who is HC?</td>
<td>What drives HC?</td>
<td>What is VA?</td>
<td>How add value?</td>
</tr>
<tr>
<td></td>
<td>What does HC comprise of?</td>
<td>Where to locate HC?</td>
<td>What does HC do? (The function of HC)</td>
</tr>
<tr>
<td>(experience)</td>
<td>communication, leadership style</td>
<td>support/ online forum</td>
<td></td>
</tr>
<tr>
<td>#9. Social, relations &amp; networks: Team works, good communication, interpersonal, friends across nation</td>
<td>#22. Control system-Boundary: budget, administration system, personnel regulations</td>
<td>#34. Qualifications of the products: Multimedia learning materials &amp; resources development</td>
<td></td>
</tr>
<tr>
<td>#23. Control system-Diagnostic: monitoring, evaluation, quality assurance, internal control</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>#24. Control system-Interactive: meetings, coordinations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>#25. Organisation Culture: Commitment, Integrity, honesty, trust, loyalty</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3.7. CONCLUSION

This chapter has outlined paradigms of social research including ontology, epistemology, methodology and methods. From various ontological positions, post-positivism best reflect the candidate’s belief in conducting research. This ontological position aligns with naturalism epistemology. This ontological position is also posited by the performative ontology, which is consistent with the performative approach to HC research in this thesis. The performative approach to HC research is the paradigm applied in this thesis. This argues that the essence of objects changes dependant on relations in actor-networks.

Qualitative methodology employing the performative case study approach was selected for this study. To align with the performative approach, this thesis employs a performative case study approach to improve the relevance of human capital to be applied in the particular context of an organisation. This thesis investigates the practice of human capital in Open University of Indonesia to gain an understanding of actual HC practices, particularly how HC is developed in practice, how HC creates value for OUI and how HC helps OUI to deliver OUI’s proposed set of values for its students. While different forms of data are also used as resources, the data collection process focuses more on the actors. The next chapter discusses the findings from the case study.
CHAPTER 4 CASE STUDY FINDINGS

4.1 INTRODUCTION

This chapter reports the findings of the study based on the data collected from the interviews. The themes that emerged are presented after the completion of the coding process. The coding process generated thirty-four codes, as set out in Table 8. This indicated that there were thirty-four different issues identified from the interview transcripts which are potentially of interest and relevance for further analysis. Using the literature review as an analytical framework, the codes were then classified into five key themes. The findings are also enriched by direct observations on the site and on the OUI official website and the candidate’s personal experience as an academic in OUI.

The purpose of this case study is to investigate the practice of the human capital at the OUI. In this thesis, human capital is defined as a unit-level resource that is created by the emergence of individuals’ knowledge, skills, abilities, and other characteristics (Ployharts & Moliterno, 2011), which can be leveraged to achieve sustainable competitive advantages (Barney, 1991). Thus, the central focus of this thesis is human capital that will be analysed at the organisational-level.

The existing theory and practice of IC and HC motivate this thesis. The quantitative and causal relation focus of the ostensive approach cannot fully explain the HC practices of public sector organisations such as a university. Additionally, the education reform in Indonesian universities has raised tensions between the universities’ current capabilities and the educational services provided and the organisational performance aimed at by universities. Thus, OUI, a public tertiary institution adopting an ODL system in Indonesia, has been chosen as a case study site to address the two main research problems proposed in this thesis: “What is human capital in the university?” and “How can HC help OUI deliver its proposed set of values?” Based on the research problems, this thesis highlights three research questions guided by the performative approach to HC research, as set out in Table 9 below. The roadmap of the theory questions, research questions, sub-research questions and interview questions for analysis is presented.
The data collection involved individual internal participants, such as academics, academic support staff and management, as well as external participants such as tutors employed by the university, students, external auditors, employers, association and the government. The participants delivered diverse insights and perspectives, including various views on human capital, the work environment that drives HC from focusing on the economic outcomes to HC for performance which in turn provides value to the university. The responses from the four groups of participants: academics and tutors, specialists and the administration staff, management and the students, range from very negative to very positive. As outlined in chapter three, the case study involved the collection of data through a three-stage process from December 2013 until January 2015. Participants were selected based on the judgemental sampling process (as explained in section 3.4.1) representing the group of stakeholders (as explained in section 4.2.5). The figure below explains the roadmap of Chapter Four. Case study organisation discusses vision and missions.

**Figure 18 The Roadmap Chapter Four**
### Table 9 The Roadmap from Research Questions to Interview Questions

<table>
<thead>
<tr>
<th>Theory Questions (based on Performative approach to IC research)</th>
<th>Research Questions</th>
<th>Sub Research Questions</th>
<th>Interview Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>The conceptualisation of HC: Questions about how HC elements are to be understood and analysed</td>
<td>(1) What are the elements of HC embedded in HC practice in OUI?</td>
<td>(1) What does HC consist of? (2) Where to locate HC? (3) What HC function is embedded in practice and how does it work?</td>
<td>(1) What counts as HC? (2) Who is human capital in OUI? (3) What are the elements of HC embedded in yourself? (4) What factors promote/hinder its implementation? (5) How do the staff help OUI in its recruitment system/training and development system/performance and rewards system? (6) How do the recruitment system/training and development system/performance and rewards system in OUI in practice help HC?</td>
</tr>
<tr>
<td>The value of HC: Questions about how HC is related to value creation</td>
<td>(2) How does HC create value for OUI regarding the contribution of HC to the strategic direction and the management of OUI?</td>
<td>(1) What strategies and plan has OUI adopted to achieve the objectives and develop/strengthen its HC? (2) What sort of control system is applied in achieving these targets? (3) What is the role of HC in influencing the leadership</td>
<td>(1) Does OUI’s HC policy align with its strategic direction? (2) What factors influence design/functioning of HC policies and practice? (3) How does the HC help OUI in its internal core process? (4) How does the internal</td>
</tr>
<tr>
<td>Theory Questions (based on Performatve approach to IC research)</td>
<td>Research Questions</td>
<td>Sub Research Questions</td>
<td>Interview Questions</td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
<td>---------------------</td>
<td>------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>How does HC contribute to delivering OUI’s proposed set of values for its students?</td>
<td>(1) What level of performance does OUI need to achieve? (2) What value-adding outcomes does OUI need to provide? (3) What strategies does OUI need to sustain a competitive advantage?</td>
<td>and organisational culture in OUI?</td>
<td>core processes in the ODL context help HC to develop? (5) What factors promote/hinder HC value creation process? (6) How does the organisation structure affect HC function? (7) What is the role of HC to influence the leadership in OUI? (8) What is the role of HC factors to shape OUI’s organisation culture?</td>
</tr>
<tr>
<td>The HC proposition: Questions about how HC works in an organisational context</td>
<td>How does HC contribute to delivering OUI’s proposed set of values for its students?</td>
<td>(1) What level of performance does OUI need to achieve? (2) What value-adding outcomes does OUI need to provide? (3) What strategies does OUI need to sustain a competitive advantage?</td>
<td>(1) What counts as performance in OUI and what does not? (2) What is the notion of value-adding for OUI? (3) What are the processes for OUI to gain value-adding outcomes? (4) What are the weaknesses, strengths, opportunities and threats for OUI? (5) What are the information flows (feed back &amp; feed forward loop) that are necessary to enable OUI to learn from its experiences?</td>
</tr>
<tr>
<td>Source: Developed by the candidate</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.2 CASE STUDY ORGANISATION: Open University Indonesia

4.2.1 Vision and Mission

OUI was established in 1984, holding a mandate to provide higher education to school teachers (President decree number 41, 1984) and people who live in remote areas. OUI was the only university employing open and distance learning (ODL) system at that time which emphasises the philosophy of openness and lifelong learning. The ODL system enables people with limitations (such as job and/or family commitments, year of high school completion) to study in higher education. During the early period, the number of OUI students was relatively small because most people were not familiar with the open and distance learning system. The online tutorials did not exist. To assist their study, tutorials with students in remote areas were engaged through posted mailing and face-to-face methods.

Since it was first established, there have been many changes in OUI both internally and externally. Attempts were made to address changes to reformulate and reshape the missions according to public needs. Globalisation had encouraged migration of information, knowledge, people, and trades across borders as well as future growing needs of higher education. Consequently, this raises interdependency amongst organisations and industries, including higher education institutions. To become a player in the global network, OUI must have academic qualifications that are comparable to other ODL universities. Based on these premises, the vision of OUI was determined to be, “By 2021, OUI is to become a world ranked open and distance university which generates academic products and graduates of a high standard”.

While the vision is to achieve a ranking to be one of the world’s best ODL universities, the mission is a reflection of the balance of different core missions (Collins & Porras, 1994) and the needs of the university stakeholders: academics, government and society. The contribution of higher education institutions is conceptualised as flowing through three main channels coinciding with the missions of teaching and training, scientific research, and the promotion of university–society synergies (Sanchez, 2014).
Aligned with this vision and the three academic missions (known as ‘Tridarma’), the OUI mission was then revised: firstly, providing access to world-class higher education for Indonesian citizens through open and distance learning programs to produce qualified graduates who would have competitive advantages; secondly, reviewing and developing the ODL system in OUI; and thirdly, utilising and disseminating studies/research from both knowledge and organisational-based studies for national development needs.

However, for some people, the OUI vision is considered to be too optimistic. Even though the system has been intensively reviewed by International Council of Distance Education (ICDE), the level of performance achieved is still far behind the targets. As one participant stated, “I do not agree with the vision. A university exists to serve the community, thus, the vision should lead to the outcome, not to become the world best ODL university”. [A2]

4.2.2 OUI’s Organisational Structure

OUI is an inwardly-focused bureaucratic organisation. This type of organisational structure refers to its parent institution, the Ministry of Research and Technology (before 2015 OUI was part of the Ministry of Education and Culture). The organisational structure as depicted in Appendix 6 represents the span of control and the bureaucratic system in operation in OUI.

OUI is organised as a hierarchical organisation in terms of functional units and faculties. There were many levels of the technical and managerial hierarchy. There were many committees and/or task forces already in existence. That is the reason why most of the staffs have been tied up in meetings very frequently. OUI’s staffs and managers travelled frequently to carry out duties from OUI, such as monitoring and evaluation of examinations and tutorials as well as attending conferences or seminars.

Considering the nature of the case study and market conditions (Act Number 109, 2013) - OUI is required to pay more attention to fulfilling services for students who choose to study in the ODL system. Thus, a more responsive customer-oriented organisation usually needs a flatter organisation structure. A flatter organisation structure cuts the bureaucratic line and enables units to make
decisions without waiting a long time getting management approval. A previous study by Hoftstede (1990) found that there is a relationship between the type of organisational structure and the country culture. More discussions about the country culture where OUI is located is presented in section 4.2.4: OUI in the Indonesian culture, followed by the influence of the social culture on the OUI strategic direction.

4.2.3 OUI in Indonesian Country Culture

As a case study site, OUI has 40 regional offices in Indonesia, making OUI the most geographically diverse university from the west to the east, the north to the south of Indonesia. It is important to analyse the country culture in which OUI operates for understanding human capital practices (Budhwar & Sparrow, 2002). Hoftstede’s cultural dimensions between Indonesia and Australia (as depicted in Figure 20) were used to gain an understanding of Indonesian national culture rather than comparing the cultural dimensions between these two countries.

**Figure 19. The Country Cultures of Indonesia**

The countries’ scores on the four dimensions are statistically correlated with a multitude of other data about the countries. For example, power distance is correlated with the use of violence in domestic politics and with income inequality in the countries. Uncertainty avoidance is associated with the legal obligation in developed countries for citizens to carry identity cards. Individualism is correlated with national wealth and the mobility between social
classes from one generation to the next. Masculinity is correlated negatively with the percentage of women in democratically elected governments.

Regarding power distance, Indonesia ranks low on power distance and individualism, which is at the other end of the scale. Power distance shows the unequal distribution of power and wealth. They hold large distances between ranks in an organisation and communications, which are likely to be through the command chain rather than the direct way. Indonesia has a formal hierarchy with each tier wielding more power than the rank below. Management is centralised; subordinates are unlikely to be consulted or expected to participate in decision-making. The OUI organisational structure is a bureaucratic type of organisation structure and centralised management, following its parent institution, the Ministry of Research, Technology, and Higher Education. However, OUI in practice has the characteristic of a flatter organisation structure to become a more responsive customer-oriented organisation with a more egalitarian leadership style.

Moreover, individualism is a measure of whether people prefer to work alone or in groups. This indicates the degree of social/community integration. Indonesians tend to be highly collective while at the other end of the spectrum they are individually motivated. Employees in Indonesian institutions are team-oriented and group motivated. An individual’s achievement will be attached to group promotion. OUI’s working environment is also more egalitarian and collectivist. People tend to work and accomplish their job within the groups and interact more socially when they are off campus. This condition is reflected in the national culture; individuals in Indonesia tend to say “we did this” rather than “I did this.”

Masculinity and femininity depict the degree to which masculine traits such as authority, assertiveness, performance and success are preferred to female characteristics such as personal relationships, quality of life, service and welfare. There is only small variance of this scale between Australia and Indonesia. Both nations tend to be in the middle of the scale, although Australia is slightly biased toward a Masculine culture. The Indonesian workforce will show more affection and compassion than the Australian workforce, that is more task oriented and
result-focused. Indonesian workers have strong bonds and work hard to maintain personal relationships. Belonging to the group is more important than pleasing the boss. Workers tend to socialise at work, more than Australian workers.

Uncertainty avoidance deals with the society's tolerance for uncertainty and ambiguity. Indonesians and Australians were similar in this dimension, tending to be on the highest scale. This means that people in both countries tend to plan for future events and will not be reluctant to make decisions. They can work well without structures and will have high tolerance for ambiguity.

4.2.4 OUI in Indonesian Societal Culture

Indonesia is the largest archipelagic country in the world with more than fourteen thousand islands. Indonesia consists of around 300 hundreds distinct native ethnic groups and 742 different linguistic groups each with cultural identities developed over centuries and influenced by Indian, Arabic, Chinese, and European cultures. The cultural diversity has also been influenced by Chinese, Arabic, and Indian cultures since the trade began in the 7th century as well as Dutch, Portuguese, French and British colonialism. The largest and politically dominant ethnic group is the Javanese; more than half of the population live in Java. A shared identity has been defined by a national language, ethnic diversity, and religious pluralism within a Muslim-majority population. The Indonesia's national motto, "Bhinneka Tunggal Ika" ("Unity in Diversity" literally, "many, yet one"), articulates the diversity that shapes the country.

The cultural background shapes the perspective of parents who send their children to formal education. Education in Indonesia is compulsory for twelve years in which the enrolment rate is 94% for primary education and 75% for secondary education; then, it drops to 27% for tertiary education. People think that education is more important for boys than for girls due to their role in their families. For lower class families, they must choose to support either their boys or girls. Families are most likely to decide to support their boys considering that the boys would be leaders in the family and take most responsibilities, while girls in the future would be married and look after their children and family. Javanese and Batak people acknowledge the patriarchy in which members of the family must
obey the rule of the fathers. Meanwhile, Padang people in Sumatra recognise the matriarchy in which the mother must be followed. However, the rule that family responsibilities are the priority has been accepted. Education becomes less important if someone already has a job and/or family commitments. Thus, different cultural backgrounds and social-economic conditions of the communities influence one’s decision whether to take further study or not.

OUI with the ODL system eliminates the barriers faced by those who already have jobs and/or family commitments. The ODL system enables people to learn and study even though they live in remote areas and are unable to leave their villages due to their commitments. OUI provides online tutorials which can be accessed at all times from home or their offices as well as the face-to-face tutorials to be attended every weekend when they are not working. Mothers are able to participate in tutorials and sit in the examinations even though they have infants. Those unable to sit examinations conducted nationally can take an online examination held in the closest learning centres. Clearly, the characteristics of the ODL system eliminate the barriers of people who have previously had limitations to take on further studies.

The cultural backgrounds of the leaders also influence OUI as a public university adopting the ODL system. The first and second OUI rectors significantly influenced and contributed to the development of OUI’s organisational culture. The Javanese leadership styles of the rectors and the bureaucratic style of OUI have penetrated deep into the people and the OUI organisation. These leadership styles have understandably been practiced within the centres and the faculties which have the supervisory role over the day-to-day operation and future direction of OUI. OUI then developed during the era of the third rector who had a firm characteristic. OUI had made significant changes in terms of physical development and infrastructure. The vision of OUI was established in 2005 to be the best ODL university in the world by 2020. OUI has obtained a quality assurance certification from ISO international for the quality of administrative procedures and has been regularly reviewed by the ICDE, the international council for distance education, for its ODL system. With those achievements, all staff were motivated to accomplish their job objectives. Obviously, the leadership
styles of the previous rectors have reshaped the organisation culture toward the stated organisational goals.

4.2.5 Profiles of the Stakeholders

4.2.5.1 Academics

In conducting the teaching and learning process, OUI is supported by faculties and the graduate program. OUI has 722 lecturers (as of January 16, 2015) in head office and learning centres. OUI’s academics have three main responsibilities, including conducting teaching and education, research and serving the communities. The academics in an ODL university are responsible for delivering the learning process both online and in face-to-face mode, and developing learning materials as well as evaluating learning outcomes.

OUI academics are not only full-time academics but there are also external tutors who work part-time and are employed locally by OUI offices and learning centres. Functionally, full-time academics are those who are employed permanently as civil servants for the University. Meanwhile, the external tutors and part-time academics are employed locally by OUI learning centres without having long-term commitment to OUI. The tutors are different from other academics in OUI; the selection criteria of tutors are not bound by the provisions of the faculty qualifications as stipulated under the Government Decree number 14/2015 on teachers and tutors. Therefore, the tutors come from various professional backgrounds not only academics from other education institutions, but also practitioners and community members as long as they have qualifications required by OUI. There are currently 1000 tutors (as of December 2014).

4.2.5.2 Academic support (specialists and administration staff)

The second group of participants is academic support. OUI has 1860 employees; 1054 of them are academic support staff including specialists and administrative staff (data as of 2010). Specialists are those who have specific qualifications needed by OUI, such as IT specialists, examination specialists, multimedia production specialists, librarians, internal auditors, and medical doctors who work in the university health service. Administrative staffs are those who support the main services for students and staff. Specialists and administration staff are
employed both through the state employees scheme and private scheme. Specialists can also be employed from internal staff of OUI. For instance, academics from certain faculties who have specific capabilities as ‘specialists’ such as dentists, auditors, books editors, and assessors.

4.2.5.3 Management

The third group of participants is management. Management includes the top management in OUI (including rector and vice-rectors) and the middle management includes deans of faculties and post-graduate programs, and head of centres and learning centres. Management is recruited from internal staff of OUI based on the nomination proposed by the current management and staff, and legitimised by the Senate of the University.

In this thesis, there are also groups of stakeholder external to OUI. They are government officials, who represent The Directorate General of Higher Education of The Republic of Indonesia (DIKTI) that hold positions in managerial level and control regulation over OUI, officials from the national accreditation body for higher education, and members of associations of distance education as well as employers.

4.2.5.4 Students

The fourth group of participant is the students. The students include undergraduate students, postgraduate students and those who recently graduated from OUI, and passive students. Passive students are those who do not register for the semester but administratively register as students. Students in OUI are not limited to those who live in Indonesia but also in 25 other countries. There are significant number of Indonesian workers in Saudi Arabia, Malaysia, Singapore, Hongkong and South Korea.

Currently OUI has 426,503 students (data as per 4 December 2014). The majority of the students are school teacher students of teaching programs. The number of school teacher students was influenced by the government regulation that requires school teachers to have a professional certification in their field.
Two third of the students are women. This is consistent with a study conducted by Kramarae (2003) that women utilise distance education to complete courses and degrees after having interrupted their studies due to family reasons. While they are no longer interrupted by a tight and organisation schedule, many of them still experience interruptions such as financial stresses, heavy family responsibilities, and limited time for additional responsibilities. The online and distance learning system is considered able to overcome the barriers of women to enter and reenter higher education.

OUI’s first mission is to widen the access of higher education. OUI currently has six hundred thousand students; most of the students live in remote areas in Indonesia. Indonesia is the seventh largest country in the world after Russia, Canada, USA, China, Brazil and Australia with a total area of 5.19325 million km² (including land and seas) and 17,508 islands. Indonesia has the fourth biggest population in the world with 255,461,700 people (BPS 2015) and 6,453,252 students (BPS 2013/2014). This number includes OUI students who live in 34 provinces and 25 countries. While OUI contributes 10% of students spreading all over the world and remote areas of Indonesia, this number reflects that OUI has provided enhanced ‘access’ to higher education. To ‘widen access’ for OUI means to reach those who do not have access to other universities. Thus, access is a key indicator of OUI performance.

OUI’s second mission is to upgrade the qualifications of in-service school teachers. Indonesia currently has more than 3,437,996 school teachers (BPS 2013/2014). OUI has graduated more than one million teachers. Based on the government’s regulation, all teachers must hold a bachelor degree in their professional field by 2015. However, some regions in Indonesia still face a shortage of teachers with teaching qualifications. Currently, there are some teachers at various levels, including elementary, junior and senior high schools throughout Indonesia who have not obtained a formal teaching qualification. For example, approximately 28% of teachers are below the required level of qualifications in the Islands of Bangka-Belitung and approximately 10% have the same experience in Jambi (data retrieved on 26 June 2015). This means that thousands of teachers need to upgrade their qualifications and need to be given
financial assistance to continue their education. As quoted from a government official, “With the government program as a way to complete the academic qualifications, teachers are expected to accelerate the completion of their education”. [Sumarna Surapranata, 29 June 2015].

The mission to upgrade the qualifications of school teachers to meet the requirement of the government has meant that OUI has graduated about 30% of Indonesian school teachers due to the flexibility it offers. With respect to cost, students can choose programs suitable to their needs with very affordable prices and scholarships from local governments which are also available. The flexibility in learning enables students to study without leaving their jobs or family commitments. Student teachers are encouraged to participate in face-to-face tutorials conducted on weekends when schools are closed. Thus, flexibility is a second key indicator of OUI’s performance. The demographic profile of OUI’s students is shown in Appendix 5.

4.2.5.5 External stakeholders

The other group of participants are external to OUI. They are government officials, who represent DIKTI that hold positions in managerial level and control regulation over OUI, the officials from national accreditation body for higher education and members of associations in distance education as well as employers. These five groups of stakeholders were involved in the interview process giving their opinions and insights about HC practices in OUI based on their role in the university. While the codes resulted from the interviews were clustered into key themes, their opinion will only appear in related themes. In the next section, ‘human capital’ is the first key theme that emerged from the data.

4.3 Human CAPITAL (Key Theme 1)

Human capital is one of the five key themes in this thesis that emerged from the interview data. The interview resulted in a large amount of qualitative data in the form of interview transcripts. Based on the interview transcript the codes were generated into a coding system (as explained in section 3.5.3. Coding) and then clustered into five key themes based on the research questions. This explains the findings based on the first research question: “What are the elements of HC
embedded in the practices of the OUI?” Following Ployhart et al (2014) the research question was then divided into three sub-questions: “What comprises HC?” “Where is HC located?” and “What HC functions are embedded in practice and how do these work?”. Following these questions, there were several interview questions developed under this theme which resulted in twenty four codes that were posted in the coding system (see Table 8). Accordingly, the organisation of this theme is divided into three main sub-sections: people and components of HC, level of HC and HC function. Three groups of participants (academics, specialists and administrative staff, and management) were involved in this theme.

4.3.1. Who is the human capital?

First of all, the candidate asked the interviewees to clarify what HC means to them and to whom the term HC is addressed. The term “human capital” clearly had multiple meanings for these participants, “while in the government institutions the term ‘human capital’ remains unclear”. [A5].

HC in the university is complex as it might be considered to be the whole human resources contributing toward organisational objectives and only those people who create performance and competitive advantage are considered to be ‘human capital.’ When the candidate asked about the notion of HC in the university (who comprises human capital in the university), the perceptions of the participants varied. Some of the academics agreed that human capital is all human resources involved in OUI, as one of the academics stated,

\[
\text{HC includes all personnel who work for OUI, even though the most important one is the decision makers, because every personnel has a certain role that contributes to the achievement of OUI goal/mission.} \quad [A1]
\]

Meanwhile, some of the academics believe that human capital refers to the academics involved in teaching and learning processes, as one participant argued,

\[
\text{Academics are the front liners in the university because the university’s core business is to produce academic products and graduates. Administrative staff are important resources to support academics to win the competitions in the industry.} \quad [A5]
\]

The above view is reasonable given the fact that the core business of the university is academic and not all human resources within the organisation work
in the academic field. Only human resources that create value for the organisation are considered as human capital (Mayo, 2012). The majority of administration staff support this perception, as one participant says,

*In the university, like it or not, academic positions hold the most important role in the institution because the university’s core business is education. the academics determine whether to provide their best or least for education delivery”* [B1]

The view from most of the administration staff and specialists is reasonable because academics and tutors are the front line staff who determine the university’s success. The role of academics in universities is significant (Dearlove, 2002), as suggested by Musselin (2013) who investigated the relationship between academics and their universities in European countries. However, amongst the academics, one participant argued that OUI graduates must also be considered as human capital in the OUI, as she stated,

*... not only the academics and administrative staff but the graduates are also an important asset for the university. The number of graduates does not measure the success of a university, rather, to what extent its graduates can perform in the public.* [A4]

The reason to include graduates in HC is reasonable, given the fact that graduates contribute to scientific development and they are one of the key indicators in the university accreditation system. Becker (1992) argued that education is an investment in human capital that pays off regarding higher productivity (Becker, 1992). However, from the perspective of IC scholars, HC is considered to be an asset that creates value for the organisation (Mayo, 2012) irrespective of their role whether as university core elements or supporting agents.

Based on the interview results, HC in OUI refers to all staff who are permanently and casually employed by the university, including external tutors and graduates. However, academics are considered to be the primary HC who potentially create significant value and sustain competitive advantages for OUI. I can confirm that the most important human capital in OUI is academics and tutors as their presence in the learning process is vital, whilst graduates are the outcomes of the learning process conducted by OUI’s human capital. Interactions between students and academics/tutors in a distance learning university are more intense than the
interaction in universities using the traditional face-to-face teaching and learning approach. There have been a lot of good examples of how academics/tutors play a role not only as tutors who deliver the learning process but also as consultants who provide consultation services to motivate students, which eventually affect their academic achievement.

In the next section, components of HC that include capacities, knowledge, skills, and abilities possessed by individuals and groups of academics and administrative staffs are discussed.

4.3.2 Individual Capabilities

This section focuses on the first sub-question “what comprises HC?”. The interviews started from individual capacities to the capabilities of the group of academics and academic support (specialists and administration staffs). The individual capacities refer to the ability to receive, hold or absorb and produce things (what one has). The individual capabilities refer to the power or ability to achieve objectives or to increase the productivity (what one can do). For the purpose of this thesis, the terms are merged into ‘capabilities’. The management officials and leaders in faculties and units in OUI are academics; in this case, they are included in the group of academics.

During the interviews, the participants have been asked a question: “what are the major capabilities embedded in yourself?” and “how are they developed?”. Within the group of administration staff, some participants argued that the most important capabilities required to accomplish the job have been developed in OUI, as one participant stated,

I think the most important skill which I have acquired during working in OUI is my social skill as we often work in teams. My job is developing IT systems. The implementation of a new system requires a cultural change in the working environment. Thus, negotiating and seeking win-win solutions amongst the interests of the groups are needed. [B1]

Most IT specialists are young individuals between the age of twenty to thirty. They first joined OUI often without any working experience. Even though they have knowledge, skills, abilities and other characteristics needed as IT specialists, they often do not have appropriate social skills and lack experience of working
with teams. In certain working conditions, some administration staff argued that their individual capabilities have not yet developed. One participant stated,

*I need to take further study to enhance my capabilities in order to accomplish the job, but, my supervisor does not allow me to study.. she just said, this is not the moment...* [B8]

Similar views were expressed by other administration staff who cannot take further studies because of their job commitments. Management gives priority to academics as the university’s core business. Whilst, the capabilities required for administration staff to accomplish tasks are considered to be fulfilled. They do not need to enhance their capacities by taking further study; rather, they need to improve their skills by attending training sessions. On the other hand, academics who have a priority to take further studies argue that OUI does not need to enhance its current academic capabilities. As one participant said,

*What is the purpose of taking further studies? OUI needs our degree for accreditation purposes rather than the development of academics and their contribution to knowledge. We are only allowed to contribute in tutorials instead of teaching. So.. what is our knowledge used for?* [A5]

The majority of academics believe that their capabilities that are required as academics have not yet developed due to the nature of how OUI operates. OUI operates more as a service provider rather than as a knowledge resource. Consequently, academics are required to have capabilities in learning delivery and provide consultation for students in the ODL system. The characteristics of the ODL system is the reason why most of the academic capabilities in their disciplines have not yet fully developed compared to their capabilities in the ODL context. As one participant stated,

*We are now working in the ODL environment in which outstanding knowledge is not necessary because the system posits OUI to be more like a service provider rather than a knowledge resource. Rather, the academics with distinctive knowledge in the ODL system are needed.* [A2]

Unlike other traditional universities, ODL system emphasises the online learning delivery mode. Thus, OUI requires academics to be more focused on developing learning materials and delivering online tutorials, while face-to-face tutorials are not compulsory. However, management argues that opportunities have been
granted to the academics to enhance and develop their capabilities as knowledge resources. As one participant stated,

*The capabilities of our academics are progressing as we support them to take further studies, attend conferences, and conducting research with funds available to do such things..* [C1]

The view is reasonable given the fact that OUI provides funds and opportunities for academics more than academic support staff (specialists and administration staffs). However, compared to other campus-based universities, OUI’s academics’ capabilities as a knowledge resource have not yet fully developed. As the ODL system is adopted, only capabilities that support online learning activities in the ODL system have developed.

### 4.3.2.1. Multimedia capabilities

Amongst capabilities embedded in academics, most of the participants agree that multimedia authoring is the skill most mentioned which has developed in OUI, as one participant stated,

*We are different from conventional universities. In ODL system, academics are required to develop multimedia-based learning materials. The capabilities of multimedia production only develop in OUI.* [A1]

However, some academics (most of them are senior academics) argue that multimedia capabilities are difficult to obtain because of their routines and constraints. They argued that a strong multimedia team to support academics in developing multimedia-based learning is more important than the effort to increase academics’ capacities in multimedia authoring and production. One participant stated,

*...the job description for academics is clearly stated in the regulations. Thus, academics should be supported by the multimedia teams to deliver more attractive learning materials. It is hard to become experts in multimedia as well as in the academic field. I find that online learning hosted by other universities is supported by strong multimedia teams. We can compete if the academics are supported by a strong multimedia team.* [A11]

Some of the participants who are also multimedia staff at the university responded to the view,
OUI is the only university in Indonesia which has a multimedia production unit with high-end technology and competent users. We produce books, e-learning materials including audio visuals, and our multimedia teams are ready to support the academics. However, we must admit that there’s always time constraint due to workload in the unit. It is impossible to do such things involving the current staff with current capabilities.” [B2]

Since all learning materials are required to be multimedia-based, the workload doubled or even tripled. While multimedia competencies seem to be dominated by young academics, enhancing multimedia capabilities for senior academics is more difficult because they often have constraints in learning new technology. However, multimedia capabilities are the most important capabilities needed not only for academics and tutors but also specialists and administration staff. In order to have multimedia-based learning materials, OUI needs to enhance academic capabilities in multimedia authoring and delivering multimedia-based learning. While academics focus on authoring and delivering, specialists focus on producing and maintaining the multimedia-based learning products and systems to a high standard.

4.3.2.2. Consultation service capabilities

Consultation service for students is another important capability that OUI’s academics and academic supports must have because it contributes to students’ performance. The capability to provide consultation service for students has been embedded in academics, especially academics who work in OUI’s learning centres. This is one of the most important factors which determines the students’ performance, as one participant stated,

Most of the GG (a major company in Indonesia that sponsors its employees to study in OUI) students’ results were below average (GPA 1 out of 4) before we provide them with extensive consultations of learning in the ODL mode. They are now progressing and expecting the improved final results. [B7]

The distribution of students, however, is widely spread and students have different situations. The problems of transportation facilities and infrastructures such as power supplies and internet access make the situations even worse. Consequently, students living in remote and rural areas might not have the same access to
consultation services provided, compared to students who live in cities and nearby suburbs, as one participant stated,

*I concern with how we can deliver services to our students in remote and rural areas without proper infrastructures? They also have rights just as students who reside in Java. but, how can we expect them to have good performance if we can’t even provide them with the minimum service?* [C7]

From the perspective of the students, consultation services for students are needed to support students’ learning in the ODL mode. However, sometimes their needs are not supported by the capabilities of OUI’s staff who provide consultation services. One of the students reported that he lost an opportunity to sit the examination because one of the staff did not have capabilities to provide information for students. One student said,

*I’ve been misled by the information provided by an OUI staff in OUI Jakarta. I asked the schedule for an examination, and she asked me to wait for one week. One week later they told me that the registration was already closed. Consequently, I must wait for the next semester to be able to sit in an online examination. I think it’s better for OUI to replace the staff with younger and more dynamic ones.* [Rojali Jay, students, reported on 20 January 2015]

The capability to provide consultation services for students is one of the most important aspects for academics and academic support staff as it determines students’ success and failure. Therefore, such a capability must be developed and embedded in all staff, not limited to academics and administration staff in managerial positions. The consultation clinics and learning assistance for students are obviously needed by students to meet the ‘pass’ criteria. Thus, the initiatives to provide consultations for students must be seen as a core part of academic and administrative tasks.

4.3.2.3 Administrative capabilities

Since it was first founded, OUI was posited as a service provider rather than as a knowledge resource. This situation happened because OUI has many students learning in the ODL system and it could not handle the learning delivery using the resources it had. While the academic staff are very limited, involving academics from local state universities is one of the strategies that must be carried out in
order to deliver learning programs with such limitations. Academics from other local state universities have been invited to work with OUI in developing OUI’s printed learning materials, delivering face-to-face tutorials and assessing students in final examinations. However, since the external tutors assist the academics to carry out such duties, the function of the academics has shifted to be service providers for students and managers of external tutors. One participant stated, “the academics were formerly assigned to be editors for OUI’s printed learning materials, but then the role has shifted” [A9]

OUI which has been posited as a service provider for decades has influenced the condition in which OUI academics must be able to serve students and external academics who have been casually employed as tutors and writers. Additionally, academics are considered to have better capabilities to manage these resources rather than the administrative staff. After three decades, the culture remains, as one participant stated, “I’ve been working on these tax related paperworks for research funds for a month. Am I considered as an academic or a tax officer?” [A12]

Most academics including OUI’s regional office managers support this argument. OUI now has forty regional offices located in thirty-seven provinces (2016), founded to serve remote and rural areas in Indonesia. The managers have a range of responsibilities, not only improving the quality of academic aspects (teaching and learning support) and increasing the number of students but also providing services for students. This requires the managers who are supposed to focus more on organisational development and academics to do several administrative tasks, as one participant stated,

> We are overwhelmed by this ‘authorisation related paperworks’. So, we often cannot handle duties as office managers. We’re required to sign thousands of copies of certificates as the graduates do not want ‘dry signatures’ for their certificates. It’s time and energy consuming, whilst the income from authorisation fees is credited to the head office’s account rather than to regional offices. [C6]

The issue of administrative function embedded in academics is a major problem since many academics believe that their academic capabilities, have not developed because of the extra administrative workload. Most academics argued that they
have been treated like ‘employees’ rather than academics (see section 4.3.3.3. The issue of working conditions: The attendance policy for academics). The majority of academics agreed that they should go back to focusing more on academic functions (teaching, research, and serving the community) rather than administrative tasks. One of the participants stated,

As a former head of discipline, my job had been representing OUI’s interest rather than ‘I’ as an academic. I have published only a few journal articles related to the discipline. OUI’s ‘serving the community’ program is more related to OUI’s role as centre of excellence in ODL system rather than our discipline. Academics have been too busy with internal administration stuff instead of being engaged in professional associations. I think it is time to ‘speak up’ that academics must go back to their nature. [A10]

The interview results found that individual capabilities of academics and academic support (specialists and administration staffs) have not been fully developed. While academics have wider opportunities to enhance their capacities through further studies, they cannot develop appropriate knowledge and skills related to their discipline because of additional administrative tasks and OUI’s focus on the ODL system. While the administrative staffs need to do the tasks unable to accomplish the tasks, their capabilities need to be enhanced and their role as academic support needs to be empowered.

The nature of the ODL system in practice is considered to have limited academics and academic support staff to develop professionally. Human capital “has developed” if the capabilities (one can do) to perform the job has met the capacities (one has). However, the role of HC in OUI as a centre of excellence in distance education, has been realised. The capabilities that the individuals possess then can be aggregated to unit-relevant purpose for performance and competitive advantages (Ployharts et.al., 2013). Becker (1962) also argued that HC includes collective skills, knowledge, abilities and other characteristics of individuals that can be used to create economic value for the individuals, their employers, or their community. In the next section, the functions of HC, the internal core processes to acquire, develop and maintain HC are also discussed.
4.3.3 Functions of HC

HC does not only refer to “the people” but also refer to “the function” of HC in acquiring, maintaining and developing HC (Ployhart, 2013; Armstrong & Taylor, 2014). The range of activities involve recruitment and replacement of staff, providing the staff with a proper working condition, and sending staff to training programs. The researcher asked the management and a group of senior academics a set of interview questions around the type of HC function embedded in practice. The interviewees were aware that a variety of issues were central to understand OUI’s mission and the possible impact of its activities on strategic direction and performance of OUI.

4.3.3.1 The Recruitment and replacement of human capital

As a public university, in acquiring staff, OUI is bound by regulations from government (the Ministry of Research and Technology and the Ministry of Empowerment of State Apparatus). Under this recruitment system, OUI proposes the member of staff needed annually based on demands across the university. There has been high demand to be civil servants in Indonesia. The recruitment system allows OUI to undertake the required selection process. The system enables OUI to determine selection criteria which is initially open for public to apply for selection process. However, practices to prioritise some preferred candidates based on their social relationship with current OUI staff often happen. As one academic stated,

...there’s nothing wrong with that... as long as candidates meet the criteria and enable to perform his/her job and comply with the regulation as ruled out by the government and the OUI. [A2]

In acquiring HC, the preference granted to relatives as an appointment to a job based on kinship has been embedded since OUI was founded, and has become a tradition. There are many examples of new staff who are spouses and siblings of current staff. Arguments have been raised both for and against this preference. On one hand, nepotism can provide stability and continuity. These conditions, however, make the recruitment system is unable to work effectively to provide the best candidates for certain positions and potentially hinders the development of HC in OUI. This preference could potentially raise negative feeling about other
employees, especially in regards to promotion and remuneration. Preference in recruitment could result in decreased morale and commitment from non-related employees, and a negative attitude towards higher level superior positions being filled based on kinship. As one academic stated,

...most likely, management have already decided to whom the positions would be given. The selection process in many cases only attempt to fulfill the formal criteria. and that is disappointing. [A10]

In many cases, management already have preferences as to whom the vacant posts would be offered. The committees for elections were initially formed to ensure the recruitment process are in place procedurally and professionally carried out. However, management usually makes the final decision which may generate unfair treatment of certain group of employees.

The candidates qualifications needed are initially determined based on the job requirements. Thus, to reduce negative impact from ‘preference’ bias, the selection and recruitment system must be carried out based on the job function rather than some individual’s or management’s preference. As one participant stated,

... Should the improvement of staff recruitment is needed, it should be concern with the social intelligent of the candidates including their commitment, dedication, and loyalty to the OUI as an institution, not to a person.. [A3]

Management and recruitment committees need to consider the candidates professionally to ensure recruitment system works effectively. As such, human resources recruited to OUI will be at a “raw state” which needs affirmative actions has OUI to develop each individual and maintain effective performance based on OUI’s vision.

4.3.3.2 Performance and rewards system

An important part of HC function is to retain staff within the organisation. Due to the nature of OUI as a government institution, the retention rate is relatively high. Employee turnover is related to the acquisition of new staff, staff promotion and rotation within OUI and retirement rather than moving to other institutions. Thus, retention of HC in this thesis focuses on maintaining good working conditions to
perform well by applying the “best fit” of a performance and reward system. Regarding the performance and rewards system, as a government institution, the regulations of the remuneration systems is determined by government, however, as the only ODL University in Indonesia, OUI is allowed to apply a remuneration system which suits OUI’s context.

The candidate asked questions about whether the current performance and reward system enable participants to perform well. Responses on the performance and reward system vary between academics and administration staff. The majority of administration staff in OUI head office agree that monetary rewards from OUI increases their motivation to work. One participant stated, “I am grateful that remuneration now is much better than before. It suits the efforts towards job requirement and increases work motivation”. [B3]

In contrast, different responses emerged from most of the staff, both academics and administration staff working at OUI regional offices. While the group of administration staff in head office tend to accept the current performance and rewards system, a different set of conditions apply to their peers working in OUI regional offices, as one participant stated,

*While our peers in the head office could relax on their weekends, we must work in the office and sites for tutorials, consultations, socialisation, examinations, monitoring and other supporting activities for students...*[B7]

The environment in which OUI operates has required staff to keep working beyond their normal working hours. Face-to-face tutorials run for eight weeks including weekends to provide assistance for working students who comprise 92% of the stated population (OUI report as per December 2014). Consequently, in order to provide services for students, examinations, socialisations, monitoring and other activities are conducted on weekends. Subsequently, the majority of staffs working at OUI regional offices believe that the system does not acknowledge their contributions and effort. As one participant stated, “...it is unfair. Despite the amount, remuneration, whatever the name is, must be comparable to our contributions to the institution...” [C7]

For the staff working in regional offices, they believe that the current remuneration performance-based system does not apply appropriately their
working conditions. They argued that the previous remuneration system was more acceptable than the current one because it included “activities”. Thus, the current system is unable to capture fully the contributions of staff. As one participant stated,

... activity-based remuneration system was designed to motivate employees. It has been proposed by the employees themselves. Rector never determines the workload. The employees determine their workload. The workload is then matched with the incentive and rewards they would receive. [A3]

The system enables OUI to reward employees based on their contribution to the university. Most academics argued that OUI should also consider “competency” in its performance and reward system. As one participant stated,

Some of the administrative systems have been embedded in OU such as career development programme for academics where we’ve been given an opportunity to participate in a seminar abroad, given training to enhance our capabilities in producing good learning materials, etc... However, the performance and reward system are sometimes unfair [A6]

Similarly, some of the academics agreed that the current performance and reward system must also assess and acknowledge academic competence. As one participant stated,

I think all staffs have understood OUI’s vision and mission. OUI has also offered opportunities to the staffs to improve their competency to become a professional in the distance learning. However, there must be a financial reward scheme based on the competency. I cannot find it in OUI. This condition could be a demotivating factor. [A8]

Some academics believed that the above perception does not fully represent the current situation. They agreed that even though the current remuneration system has not yet included academic competence based on merit or performance. According to a statement of the Director General of the Ministry of Finance, the OUI remuneration package is currently the highest amongst state universities in Indonesia (ISEI Congress, 9 October 2015). The statement involved responses from academics. As one participant says,

...the highest does not mean ‘proper’.. compared to the number of students between the OUI and other traditional universities, our remuneration is just ‘enough’ rather than ‘high’...[A10 ]
One of the principles in rewarding employees is fairness (Shields, 2007). This applies in this situation. The high remuneration package accepted by the employees does not necessarily represent fairness. Financial rewards cannot buy people’s loyalty, fair treatment and acknowledgement in a better way to enhance loyalty and commitment. Herzberg (2005) argued that financial rewards are not a satisfaction factor; rather, they are demotivating factors which demotivate employees if they do not exist.

The environment in which OUI operates and the current situation at OUI does not allow OUI’s human resources to develop fully. Staff carry out functions mechanistically based on routines rather than enhancing intellectual development. For academics, appreciation for academic achievements are more important than mere financial rewards.

According to the ISEI congress (2016), the number of Indonesian scholars in indexed international journals is lower than in Singapore and Malaysia. One of the reasons is because a specific incentive system to reward academic achievements, such as for successful journal publications, has been applied in these neighbour countries.

OUI, based on the regulation previously released, could reward academics for every publication in indexed international journals. Such policy would motivate academics to generate academic achievements with regard to have publications. However, some academics argued that these efforts do not necessarily increase performance in publications because the university has shifted academics from academic job functions to administrative functions. As one participant argued,

> The ‘smoke’ of internal management immerses in academic sphere... Even though the Ministry and OUI have provided incentives for publications, the number of publications resulted from academics remains low. [A10].

Most of the academics believe that the university needs to apply the reward system properly and wisely to motivate the staff. For most employees, non-financial rewards could enhance their job satisfaction and work motivation. The performance and reward system must be applied toward specific objectives and organisational performance and must fulfil the basic principles of a fair remuneration system. As one participant stated,
... the professional development and rewards are given only to specific persons based on preference, rather than merit. Furthermore, the academics’ involvement in the professional associations and community practices other than ODL are not supported by the management. That makes OUI’s academics know less about the ‘outside world’. The OUI’s human resources have been treated as “workers” rather than as human capital. Therefore, the current human resources both academics and administration staffs are still far away from being recognised as knowledge capital. In this case, the new administrative system to develop OUI’s human capital is needed. [A4]

For academics and academic support staff, the performance and reward system should aim to develop academics both intellectually and professionally. Academics receive basic remuneration based on a remuneration system as determined by the government and additional incentives based on remuneration system determined by the OUI for performing the academic function in the ODL system. The remuneration system applied to the academic support staff depends on whether they must comply with university procedures as if they were employed through the public service (Badan layanan Umum/ BLU) scheme or comply with the government regulations as if they were employed through the civil servants (Pegawai Negeri Sipil/ PNS) scheme. In maintaining HC, therefore, fairness and justice are two components which must be added into the performance and reward system (Shields, 2007).

4.3.3.3. The issue of working conditions: The attendance policy for academics

An important part of the HC function is to maintain good working conditions (Roslender et al., 2006). A campus is a unique place to preserve academic potentials and academics are the university’s potential drivers. They are not only teaching, doing research and serving communities but also taking part in educational progress. They are educational actors able to create innovations and make decisions. Thus, the academics should be independent and should not be curbed. One of the issues with regard to working conditions is the attendance as a mandatory for academics. As a former official in Indonesia stated,
If completing attendance for academics is mandatory, we can say that academics are considered as employees of the organisation rather than academics. Therefore, the campus is considered as an office rather than a university. [Quoted from Satrio Sumantri Brodjonegoro, Former Director General of Higher Education Republic of Indonesia]

Related to the statement from the former official of the Ministry above, the majority of academics agreed that they should not be bound to in-campus attendance obligations. Rather, the university should provide proper working conditions for academics and scholars. Surprisingly, the attendance indicator appears in the performance appraisal system for academics by government regulation (Ministry of State Apparature Empowerment) that academics are required to be present on campus 42 hours per week. In fact, academics in OUI work beyond the required time in carrying out teaching, research and community services. As one participant said,

As academics in OUI, we work beyond office hours. We must attend meetings and develop learning materials during the day, do online tutorials and research at night and do the face-to-face tutorials and monitoring on weekends. [A9]

Based on observations from the online discussion forums, the majority of academics at Indonesian Universities have similar experiences with regard to working conditions. As one participant said,

I agree. Academics are professionals who spend 24/7 of their time for academic works. So why should the attendance be important? [Dahliana Kamener, Academic from Padang]

The job function of academics is significantly different from administration staff. While administration staff support the academic role of the university on a day-to-day basis, academics’ works is often based on projects. They are undertaking research, writing for publications, and developing learning materials. Thus, academics need to allocate sufficient time for online and face-to-face tutorials, consultations for students, examinations, evaluation and monitoring. In effect, the majority of the academics believe that the compulsory attendance system is not suitable for academics and should not be applied to academics' working conditions. On the other hand, from the perspective management, the attendance regulations must be applied to academics. As one participant says,
As the staffs of state universities, academics are also civil servants who are bounded to the government regulation, and this applies to all government employees...[C6]

Similarly, academics who are in structural senior positions tend to have the same arguments. From their view, while the academics have an obligation to conduct ‘three mandatory academic missions’ or Tridarma, they must also obey the procedural regulations of OUI and the two government institutions (the Ministry of Research and Technology and the Ministry of State Employees). Tridarma is the three principles and functions that are mandatory for academics, that include teaching, research and community services. However, in some cases, Tridarma has been used to camouflage the purposes of those who do not wish to work on-campus. Rather, they work on non-academic projects, neglecting students. Some academics argued that the attendance system has inhibited their professional and intellectual development as academics. Academics who work in a different environment from their administrative peers must obey regulations, but in terms of promotions, the regulations apply differently.

Some academics argued that the attendance policy would be counter-productive with the objectives of the university. On one hand, OUI seeks to increase the performance of academics; on the other hand, the regulations inhibit academics performance. Indonesian academic performance is behind the performance of academics in the neighbouring countries such as Malaysia and Singapore. The majority of academics believe that the system must be re-evaluated carefully from both the perspectives of academics and management.

The nature of OUI which operates in ODL system has caused the employees to work extended hours. Just as in other public universities, the staffs must work 42 hours per week on-campus, from Monday to Friday. While working hours on-campus are allocated for administrative activities, academics must then carry out their academic responsibilities after business hours. Most of the time in business hours is allocated for administrative and operational academic activities such as internal coordination meetings, internal and external audits, learning materials development and assessment/examination evaluations. Other academic related activities such as online and face-to-face tutorials, multi-media authoring,
monitoring and evaluation of tutorials and examinations, consultation for students are carried out after office hours and during week-ends.

**4.3.3.4. Education and training and development**

One of OUI missions is to upgrade the qualification of its academics and administrative staff. One key way to develop the qualifications of its human resources is through education and training. Training and development emerged as a human resource function discussed significantly during the interviews. The researcher focused on the role of human resource development in the development of OUI’s employees (academics, specialists and academic supports) and the tutors. However, according to the university's policy, the development of human resources focuses on academics rather than the specialists and administrative staff. As one participant said,

> Only a few of us have been granted permissions from the Rector to take further study since HR policy gives more priority to academics’ improvement rather than administrative staff while some of our academics who have such opportunities does not seem to be really interested. [B2]

There are reasons why one is motivated to take further studies or trainings. For some of the administration staff, further studies provide a better opportunity to enhance their capacities and capabilities as well as enhance career opportunities. There are many young and talented administrative staffs who intend to take further study in their area of interest. However, they do not have support from their supervisors and management due to the current HR policy that gives priority to academics’ development. Many of the academics do not have proper academic qualifications in their discipline of study so OUI encourages more academics to take further studies to satisfy for accreditation purposes. However, many of them are motivated merely by the regulations rather than by their own will to enhance their capacities and capabilities as scholars. As one participant stated, “to reach the highest academic position, an academic must hold doctoral degree in their discipline of study”. [A10]

In order to reach a high academic position, an academic must attain accumulated credit points gained from teaching, research and community services as determined the government regulation. Such activities enable academics to reach
the highest positions in their academic careers. In the meantime, HR policy which differentiates human resource development for academics and administrative staff potentially inhibits or demotivates some staff. Some of the employees feel that the university does not provide equal opportunities for both academics and administrative staff to develop. As one participant said,

*Aligned with the OUI’s strategic direction, we understand that the focus is now on the development of academics to be able to compete in the industry – so, they must improve their capacities. However, it seems unfair for our administrative peers.* [B3]

There are few administrative staff with future potential who have the opportunity to take further studies. Opportunities are given to management prefer. The management has agreed to put a significant effort to develop OUI’s human resources by focusing almost exclusively on the development of academics. This situation was confirmed by the human resources department, as one HR officer stated,

*We have enough funds for academics development program... we have regular trainings to improve the capabilities of academics in teaching in ODL system, and to give incentive for international journal publications.* [C5]

The majority of academics agreed that OUI has provided the fund/resources to support them to continue their studies and to improve their academic competence such as attending conferences through competition. However, in terms of support for attending overseas conferences, some of the academics argued that such an opportunity is only available for certain academics in managerial positions. As one participant said, “*while we must compete to get funding for attending conferences, some academics and those close to the management often have the privileges*” [A8]

The training development program in OUI is not only limited to academics but also to external tutors to improve the capabilities in learning delivery in the ODL system and to obtain qualification/certification/accreditation as OUI’s tutors. Currently, OUI has more than 1000 external tutors who support OUI in learning delivery. As one participant said,
OUI provides training for tutors to conduct face-to-face and online tutorials. The trainings really help me as the nature in which students engage in ODL system is pretty much different from the university in which I work. [A10]

The training program to develop HC aims to improve skills and capabilities for job performance. However, participants felt that they do not really need the program because it was based on “appointing from above”. This situation makes achieving organisational objective more difficult.

Currently, OUI still has insufficient staff with particular skills and technical staff such as in ICT, accounting and finance, and graphic design and visual communication. OUI needs to improve the qualifications of the current staff through education and training. Management provides the academic support staff with more informal training to develop the appropriate knowledge and skills. Only a few academic support staff have been allowed to undertake further studies.

4.4. ONLINE AND DISTANCE LEARNING (key theme 2)

Online and distance learning is the second key theme emerging from the interviews. This section focuses on the sub-question of ‘what strategies and plans has OUI adopted to achieve the objectives and to develop/strengthen its HC?’. A number of interview questions around the function of HC and strategic direction of OUI were asked during the interviews. This key theme emphasises the work environment of the ODL system that drives OUI to achieve its vision and mission. The openness philosophy promotes the open access to higher education and the flexibility in learning (Keegan, 1991). Thus, the codes which emerged from the interviews are grouped under these sub themes. The findings cover the views from the internal and the external participants, particularly on how HC works in OUI based on its philosophy of openness.

4.4.1. Flexible Learning

OUI provides a flexible system regarding the cost and the programs offered so that the students are able to study at their own convenience. The management agree that OUI provides the most flexible system, as one participant stated that,
We have the most flexible system to accommodate different situations of students. They choose to study at OUI because traditional universities do not provide flexibility. [C1]

OUI currently has more than half a million students spreading all over the provinces of Indonesia including in remote areas and other countries. The nature of the country geographically enables ODL system to accommodate any situations which the students have. The uniqueness that OUI offers is the flexibility of learning, lower level costs and range of programs offered. The majority of the students agree that OUI offers flexibility in learning. As one participant stated,

I have chosen OUI due to the flexibility it offers. I’ve wanted to study for a very long time, but there have been barriers [D1]

OUI students come from various social backgrounds because the flexibility that OUI offers accommodates students from different social, cultural, education and economic backgrounds. OUI students vary from businessmen, government officials, celebrities to middle levels of society such as blue collars and domestic workers. As one participant said, “our students are the first ladies, owners of big corporations, celebrities to housework assistants.” [C1]

The flexibility of the system has been indicated by various programs which OUI offers and the differentiation payment scheme that is applied. The students are able to take the programs at their own pace depending on their needs and capability. The differentiation which OUI offers shows that OUI has a range of different student categories in all the schemes the university offers. This answers the needs of a different group of students and impacts the cost of programs incurred. Most students agree that ‘cost’ is one of the most important factors to be considered when studying at OUI. One student said, “...the tuition fee is very affordable, so I can work while studying.” [D3]

The majority of the students, staff and management agree that OUI offers flexibility in learning. The flexibility of the system enables the students to upgrade their skills and expand their career opportunities. The university is also available for students who do not have a high level of savings or money to fund their study. Under certain circumstances and schemes, the students do not have to
pay the tuition fee upfront because the government will finance their study without any obligations to pay it back until they start working.

Students argued that the flexibility in learning was a major factor in helping them study. However, the learning capabilities of some OUI students have not been fully developed, as one participant said, “I’ve been studying in OUI for ten years. I’ve got E (fail) over and over again and have not yet completed the course...” [D2]

The ODL system enables the students to study independently using the available learning materials and tutorials. Attending online and face-to-face tutorials is not mandatory. Thus, students can choose the most convenient way to study. However, the students must meet the set assessment criteria to pass a subject. While some of the students have difficulties to pass the exam, some of the students believe that the achievements are always correlated to the efforts involved in being an ODL student. One participant said, “feeling wonderful to have 7As and B this semester with GPA 3.86 (High Distinction)” [D3].

The flexible learning which the ODL system offers enables students to study at their own pace and convenience and to set up their own goals and achievements. The system requires the students to develop effects in independent learning and meet the requirements of the ODL system. Those unable to acquire the relevant independent learning, will most likely have difficulties in completing their studies.

4.4.2. Access to Education

The university was first established to provide higher education especially for those who live in remote areas in Indonesia. There are a number of key university aims. The first is to widen access for the people of Indonesia to higher education qualifications. The second is to upgrade the qualification of in-service school teachers. OUI has achieved the aim of widening access and reach for those who cannot attend conventional universities. As one participant said,

As a police officer, I cannot stay in one place more than a year or two. Universities are available here, but I must attend the class at least twice a
The nature of the ODL system enables students, who have limited access due to job commitments, to attend online tutorials. In an open and distance education (ODL) system, the delivery channel that the university employs focuses on an online mode. The ODL system is very different from the face-to-face mode that operates in traditional universities. The traditional system focuses on teachers where the face-to-face teaching and learning is conducted in classrooms. The ODL system utilises the information technology-based system to deliver teaching and learning programs, such as online tutorials, online examinations and online supports. The system also enables students who live in remote islands of Indonesia and who do not have internet access to get learning assistance from the nearest learning centres. As one participant said,

*I come to the learning centres for face-to-face tutorials on Saturdays and Sundays. Tutorials help me understand the topics and prepare for the exams. During weekdays, I can get internet access for online tutorials from my office desk.* [D4]

OUI conducts online tutorials for twelve weeks and face-to-face tutorials for eight weeks during the semester. The system allows the students to choose the level of learning assistance which suits their individual needs. The system also provides access to those teachers who are required to upgrade their qualifications. A government official stated,

*Currently, there are some teachers at various levels, including elementary, junior and senior high schools throughout Indonesia who have not obtained the teaching qualification. To that end, the teachers need to be given financial assistance to continue their education. The government program as a way to complete the academic qualifications of teachers is expected to accelerate the process of completion of their education.* [E3]

Until 2014, some regions in Indonesia still have a shortage of teachers with appropriate teaching qualifications as previously explained in section 4.2.5.4 (p.118) The university currently has six hundred thousand students. Most of the students live in remote areas. Therefore ‘widening access’ for the university means to reach those prospective students that other universities do not. As reflected by a statement from management,
One of OUI missions is to widen access. We never limit the time of the study (period), how many subjects they must take, including the flexibility for them to come back to study anytime (after suspension or leave). These are the promises OUI offers to students. Moreover, for the whole society, the promise is to provide access and opportunities to study because no limitation in studying” [C1]

The philosophy of openness and lifelong learning guarantees flexibility of learning and access to the higher education. However, the policies of the university sometimes do not suit conditions in certain areas. For example, as stated by one of the academics,

I was surprised by the conditions experienced by the students in Ambon. The students widely spread to tens of small islands in Maluku Province while the distance to the nearest learning centres in Ambon is hundreds of km away and take about 3-4 days by ferry. So, yeah. I do not think we can apply the same standard in Ambon just as we do in Java due to its uniqueness geographically. [A9]

Some of the academics and the head of learning centres agree that the policies which are intended to guarantee access and provide flexibility do not automatically provide that level of access and flexibility. The students living in some remote areas do not have the necessary access to the internet due to the lack of reliable power supplies in their area. They have additional barriers to participate in online tutorials because of where they live.

4.4.3 Online and Distance Learning System

Online and distance learning refers to the formalised education system specifically designed to be carried out remotely in which the students are not physically present in the the class (Keegan, 1991) This sub-theme emphasises on the work environment and the system in which OUI operates that is related to the quality of the outcomes. The findings and codes related to this area emerged from the interviews, which include the degree and accreditation, tutorials and learning materials OUI provides, registration and examinations, and consultation and services for students.
4.4.3.1. Accredited degrees

Accredited degrees are a key value that OUI offers. The ODL system is designed to accommodate students with work commitments and those who are looking for jobs. Thus, the accreditation becomes a necessary aspect. In this situation, one student responded to the statement of the Minister of Research and Technology that OUI is the only accredited ODL university in Indonesia (www.detik.com retrieved on 26 May 2015),

*I am proud to be an OUI student. I used to doubt the accreditation and other things, but now I trust my choice.* [D5]

The accreditation of a program of study is assessed by the National Accreditation Body (BAN-PT) every four years based on a set of criteria applied to higher education institutions in Indonesia. Therefore, accreditation is a major consideration for students in determining the university they choose for their studies.

Among the issues in the accreditation process addressed by the accreditation body (DIKTI) is a set of indicators used to assess how higher education institutions operate in open and distance education such as OUI. The assessments traditionally focused on academics qualifications, the details of programs of study and student outcomes in undergraduate programs in the conventional higher education system. Consequently, the standards set and used by the national institutional accreditation (DIKTI) are not readily able to assess the programs of study at OUI as an ODL university. With these concerns in mind, the assessors should include distance education within institutional accreditation for two major reasons. First, the standards already existing in the national accrediting body focus on educational outcomes and require institutions’ to command resources, especially human capital, for their effective achievement. The assessment of educational outcomes is already established as an indicator of institutional quality. Second, the standards of the accrediting body make it clear that they are more interested in the academic control and expertise of academics who design and deliver the courses than those who contribute more toward organisational goals.
Nevertheless, looking at the standards that are already applied to site-based institutions, the accreditors recognise that they would have to adapt some of them to particular unique elements of distance education. For example, although the accreditors require that institutions admit only those who can benefit from the program offered, they do allow an institution to have open admissions if it supplies appropriate remediation for those students who need additional help in order to study effectively. For distance education, this requirement needs to be extended to include technological expertise needed by undergraduate students in order to complete the study program. The requirements for the library and information resource staff likewise have to be expanded to include student access to a help desk.

One of the issues addressed by DIKTI recently is the qualifications of the academics and the program of study. DIKTI's qualifications standard is based on the practice of traditional universities adopting the face-to-face mode. While teaching and learning in the conventional mode takes up to a maximum of ten semesters, this practice does not apply to OUI. The university does not limit the duration of study as this contradicts with the philosophy of openness. However, since the duration of study is required for accreditation, the ODL system is required to follow the standard applied to the traditional system which is a maximum of 14 years to complete a qualification.

4.4.3.2. Learning materials

OUI students study independently supported by the learning materials available online. OUI provides a range of learning materials in printed and online forms that enable the students to study. However, the online resources are not updated as often as they should be. As one student said,

*Unfortunately, the online materials have not been significantly changing from time to time. I’ve been taking the same subject twice in two semesters in a row, but, the material is just the same... [D6]*

Other students have experienced the same things and agreed that the learning materials should be regularly updated. Management has noticed and require academics to continually update the online learning materials as they are considered to be the primary resources for the students. However, most academics
believe that learning materials are ‘supporting resources’ while tutors are the primary resource. They argued that the presence of the tutors remain significant for delivering the learning process and cannot be replaced by other forms of learning. As one participant said,

_There’s no obligation for students to join tutorials... but, considering to replace the tutors’ presence in class with printed learning materials is unacceptable._ [A11]

The students often have limitations on participating in face-to-face tutorials due to family or job commitments. Thus, the system enables students to study independently using the learning materials available without assistance from the tutors. As one participant from the group of staff working at the learning centre said,

_We know that the presence of tutors cannot be replaced by the ‘printed modules’ but we must accept that students also have a right to choose what is best for them since there is no obligation to join tutorials._ [C7]

This view is reasonable given the lack of reliable power supplies and in many areas internet connection problems that still occur in certain remote areas of Indonesia. Some students only have access to online tutorials in their offices. Thus, the problem of infrastructure support also contributes to the existence and the need for development of structural capital in the OUI.

As an academic in OUI, I have been engaged in developing learning materials along with delivering online and face-to-face tutorials. In developing learning materials, academics are provided with assistance to develop printed learning materials. Students do use the printed learning materials as self-study guides in preparing for examinations. Many parties are involved in the development of printed learning materials, including external academics, staff from the multimedia centre and OUI academics. However, the writing stage is usually undertaken by the external academics who are considered to have better experience in writing and producing academic books. The academics of OUI provide assistance in the writing process as instructional designers or editors of the printed modules.
4.4.3.3 Tutorials

The online tutorials allow tutors to provide supplementary materials, to interact with the students asynchronously, and to facilitate discussions between tutors and students and among students themselves. Before the actual provision of online tutorials, tutors were trained on technical matters (such as operating the online tutorial using Moodle) and on ODL system (such as contents and regulations) as shown in the figure 20 below.

Figure 20. OUI Online Learning

The internet-based activities, such as online tutorials, do not only contribute to the increase of students’ course completion and achievement but also to the development of the IT system in OUI. The management commitment on the utilisation of the online-based learning support system has directly influenced the teaching and learning environment in OUI. Students and staff have enhanced their awareness of the benefit of the internet for studying and increasing digital literacy. As a student said,

OUI enables me to acquire knowledge beyond what I have got from the class. I do not have to study on campus. So, I have more time to study and join online discussions as well as improve my IT skills... [D1]
The ODL system enables students to have more flexible time for studying. The online tutorials allow students to join online discussions anytime they want. However, online tutorials may not benefit students who live in remote areas and small islands in Indonesia. As one participant said,

*Online tutorials should be no problem in cities and most areas in Java but not in Maluku Province. How can the students get the internet access since 80% of the area does not have the power supply? [C7]*

In certain areas of Indonesia, students also have additional barriers to attend face-to-face tutorials because of such problems as weather, road conditions and transportation modes, as one participant said,

*I left my family at home to attend these tutorials. It took me 27 hours by boat traveling in such terrible high waves. I have been staying here for a month during the period of tutorials because it is impossible for me to attend tutorials if I do not spend overnight here. [D7]*

Despite the difficulties that the students have, OUI requires all tutors to provide the best service in teaching, learning, and consultations for students. As one of the external tutors said,

*Tutors are required to be well-prepared before tutorials. I utilise case study to help the students understand the content. The best thing I like from face-to-face tutorials is that they are conducted in small classes. We are not allowed to have more than 20 students in one class. It is easier for me to manage the class... Compared to the university where I work. [A13].*

The maximum numbers of students need to be maintained to guarantee that the students would get attention from the tutors. The tutors must also be certified to deliver this learning.

OUI supports students to be independent and have self-directed learning skills to utilise the learning support system provided. However, based on the interviews and my own observations, I believe that the tutorials, specifically online tutorials that OUI provides to all students, have not reached all students equally. Students who live in cities can easily get access while those who live in small districts, villages and in remote areas of Indonesia face difficulties due to limited infrastructures such as poor roads and unreliable electricity. For example, North Halmahera has a distinct lack of power supply. The electricity is only available at
night and is ‘off’ during the day. Meanwhile, OUI has about 1.5% of students (about 7500) who live in the Maluku Islands, spreading over in 12 islands. They must go to the nearest districts to have internet access to be able to participate in online tutorials.

In certain areas, students who live in remote areas are having severe difficulties in attending tutorials. They have problems with getting internet access and also have constraints because of family commitments, transportation mode, road conditions, and weather. Some female students must leave their children at home; one of them is a student from Sulawesi Islands who has just had a baby. They must travel in such difficult conditions to attend the face-to-face tutorials. Some of them must take 3 to 4 days by boat or ferry to reach the tutorial locations; some of them must spend the nights at tutorial sites due bad weather at sea.

4.4.3.4 Registration and examinations

OUI has two types of examinations which run each semester, regular on site examinations and online examinations. While the regular examinations are compulsory and conducted nationally, the online examinations are a substitute for the regular one and not available for all subjects. The students can choose from the two types of examinations based on their needs and convenience. Most students would prefer to do regular test. However, if the schedule for the examinations does not suit them because of other commitments, they are able to choose the online test.

The examination system has been designed for students to give them opportunities to enhance their chance to succeed. The system also enables the university to detect students who cheat during examinations. Students do need to be well prepared and stated,

*I know it’s not easy to get high GPA in OUI. I used to study over and over again to pass the exam, and you must study hard and be disciplined,...* [D12]

The majority of the students agree that to pass the examinations, the students must be able to study effectively in the ODL mode. The system requires the students to be able to study independently, be disciplined and be able to set their own goals.
The sets of questions are developed based on the printed learning materials by academics grouped by their discipline of study; they are safely stored in the data bank for a maximum of four years. Several sets are randomly withdrawn for certain examination periods. As one participant said,

*I sat in the examination to do the test on the set of questions that I developed before.. and I got 80% for the result. “* [C3]

The set of questions were developed randomly and each question has a degree of difficulty. Even though the academics themselves develop the questions, they are not able to answer all of the questions perfectly. So, the students must be very well prepared to sit for the exams and achieve a high GPA.

However, some academics argue that the student registration system applied in OUI has contributed to the passing rate in examinations. As one of the academics said,

*The system could possibly be wrong.. Students can register to OUI just a few days before the exam.. while tutorials are designed to assist students in learning, their participation in tutorials is not mandatory. [A11].*

The philosophy of openness enables student ‘access’ without limitations. Thus, there is no drop out system in OUI. While the registration process is open all year and the learning system that OUI offers is flexible, the number of students who are not able to pass examinations is relatively high. In order to increase the passing rate, the ODL system related to registration and examination needs to be reviewed.

There has been a lengthy discussion among academics to point out that the number of ‘below average students’ (with grade point average/GPA less than 2.00) is extremely high. The registration system that OUI employs allows people to get access to education without necessarily being ready to succeed. They can enter OUI as long as they are high school graduates. As one participant said,

*We cannot merely compare our students to other universities’ students. They can produce students with high-performance as they get into the university based on their achievement during high school and through the university selection process. Meanwhile, OUI students rely on their high school graduate certificates.[A3]*
The registration system has impacted the performance of OUI students, which is further discussed in the section on performance and value adding (section 4.9). Education is an essential human right and a right for every Indonesia civilian as ruled by law (UUD 1945) so that the recruitment of OUI students must remain open to all without any limitations which does create problems.

4.4.3.5. Consultation service for students

In the ODL system, consultation services for students are important because students do not meet their tutors or lecturers and have face-to-face consultations. As one participant working at the learning centre said,

*We have introduced independent learning strategy since the students first joined OUI and as an academic, I posited myself as a student academic counsellor to provide assistance in ODL system.* [B7]

Consultation services for students enables OUI to carry out both face-to-face and online forums. This provides guidelines that enable students to study independently and to eventually succeed.

4.4.4 OUI in a competitive business environment

The unique position as the only long term ODL university in Indonesia has posited OUI in a favourable business position. OUI had been the only university legally operating in an online and distance system. Since new regulations posted in 2015, private universities in Indonesia are now able to operate distance learning programmes. This has brought significant changes more to the higher education industry in Indonesia as well as for OUI. In response to now having Binus University as a major competitor for OUI, one participant said “...the most dangerous thing for the OUI is the change itself...” [A11].

In order to compete in the new more competitive business environment, one participant said, “*OUI must focus on its human resources. High-quality human resources will result in highly quality outcomes, for example, the high-quality graduates*”. [A1]. Some of the academics agreed that human resources of the university have played a significant role in determining competitive advantage for OUI. Additionally, information technology and other systems related to ODL must be continuously improved. As one participant said, “...for the delivery
process to be excellent, HR is one key factor, in addition to technology and system” [A4].

Most of the academics believe that the learning process in OUI cannot be successfully addressed without the use of technology. They argued that OUI should be at the forefront in the use of learning technology. The online-based learning delivery system allows students to take different pathways depending on their individual media preference. In addition, the majority of academics agreed that the qualifications of academics and the system play a major role that provides high quality standards for students.

The majority of the academics believed that competencies, such as multimedia authoring and instructional design, are distinctive capabilities which contribute to OUI’s competitive advantage. Furthermore, the participants believed that the distinctiveness that OUI possesses must be defined and proven (evidence-based) through its graduates; thus, this becomes value-adding outcomes OUI has sought. As one participant said,

*Compared to other universities graduates, OUI graduates achieve more..they acquired learning outcome with value-adding that makes OUI graduates unique and distinctive.* [A4]

*These achievements will not come easily, quality HR, quality system, and quality academic products will be needed” [A4]*

However, OUI will not be able to characterise its uniqueness and distinctive products and services without support from its resources: human capital, the ODL system (structural capital), and relationships and networks with stakeholders (relational capital). For example, in learning delivering, online tutorials and instructional design involved in tutorials are distinctive and the system can only be found in OUI. As one participant said, “I think the most distinctive capability of being an academic in OUI is having instructional designs” [A5].

The majority of the academics believed that the capability in instructional design becomes the value added embedded in the academics of OUI which academics from other universities do not have. To become an academic in OUI one needs to master instructional design. The academics must have the capability to develop the learning program and curriculum and the associated learning materials,
examination materials and the learning delivery for the students. Without this capability, the academics are unable to deliver tutorials that would meet the required standards. The integrated skills to achieve mastery of the instructional design by the academics become a competitive advantage for OUI.

4.5. STRATEGY AND CONTROL SYSTEM (key theme 3)

The third key theme which emerged from the interviews is the strategy and control system. This section focuses on the sub-question around what sort of control system was applied in achieving organisational targets. This key theme emphasises how leadership processes and control system as part of the evaluation process contribute to OUI’s strategic direction and management. The control system is a balanced act to manage the tensions arising between organisation, strategy, and human motivations.

4.5.1. Core Values

The basic principle of the control system is core values to deliver information. Such core values could be in the forms of symbols, mission statements, documents, leadership style and other forms of communication to deliver the relevant messages. Core values help to create norms and serve as cultural ideals. As one participant said,

> Norms and values had existed in OUI’s ‘discipline’. It’s just like the conveyor belt, the delay from one will affect the other. So, everyone in OUI must have discipline and work commitments. [A5].

Some academics believed that norms and beliefs that people brought into the office are provided by the leader. Therefore, a leader plays a significant role to cultivate positive attitudes in their subordinates toward organisational goals. However, values and beliefs led by a leader are sometimes rejected by his/her subordinates. One of the reasons is because the cultural ideas of the leaders often ‘direct and control’ their subordinates in doing their job. As one participant said, “organisational culture must not inhibit the creativity”. [B1].

Core values, such as discipline and commitment to the job, are related to organisational culture and leadership style, which are further discussed in a separate section on leadership and organisational culture (Key theme 4).
4.5.2. Rules and Regulations

The rules embodied in the control system create and are created by the organisational culture. Unlike core values, rules and regulations establish limits that constrain unethical or unacceptable behaviours. Rules and regulations in OUI include budgets, the administration system and personnel regulations.

Regarding budget and administration systems, OUI is committed to implement a financial management system in a transparent and accountable manner as stipulated by government regulation (the Ministry of Finance). As a state university, OUI is predominantly publicly funded. The use of public funds has forced OUI to implement good governance practices including the implementation of policies, a decentralisation policy in the management of public funds, a management control system, improving the competency of financial administration staff, and developing an adequate internal control system. OUI often confronts issues with bureaucracy. As one participant said,

*If OUI aims to deliver a high-quality service to its students, OUI must be able to reduce unnecessary bureaucracy and shift its culture to a more customer oriented university.* [B1].

According to data from the bureau of administration and finance (OUI annual report, 2014), budget allocations for improvement of academic quality are significant. However, the improvement is more focused on academic products rather than academics as human resources of the university. As one participant said, *“the budget structure needs to be shifted from supporting unit to core competence unit to improve the qualifications of academics”* [A10]. The supporting units are centres which support faculties to develop academic products such as learning materials, examination materials and services for students. The competence units mean faculties and the human resources development centre that focus on the improvement and development of academics. The majority of the academics agreed, however, that budget allocations should be focused more on the academic products rather than the academics. As one participant says, *“yes I agree that we have ‘enough’ funds for the academic programme but I assumed they go to the externals rather than to the academics”* [A11].
With regard to personnel regulations, the obligation for academics to work on campus every day has been a major issue. The academic staff are required to work on campus as are their administrative peers. While the ODL system requires the academics to do online tutorials and provide online consultation for students, they must also allocate longer hours to work on campus and off campus after business hours to be able to provide required services for students. For the majority of the academics, this regulation seems unfair. As one academic said, “... the presence of the academics on campus cannot be counted ... We work from Monday to Sunday. The fingerprint machine is no longer able to count our presence” [C6].

This personnel regulation applies not only to the academics in OUI but also academics in Indonesia. As academics, they are required to meet the minimum credit hours for teaching, doing research and community services each semester. If the academics cannot meet this minimum requirement, the incentive and rewards would be reduced and even their status as academics and civil servants can lead to dismissed. The personnel regulation for the academics follows the same regulation for civil servants. As one participant said,

*I am a civil servant lecturer. We work differently from civil servants and school teachers but the regulation applies equally. They normally work 8 hours a day 42 hours per week. While we must work on campus, we also must work from home to prepare lectures, do research, and work in the community services. It is mandatory for us. We don’t count the time and consider this is as part of my contribution to provide education for nation.* [A12].

Moreover, the personnel regulation does not separate the roles between academics of traditional universities and OUI academics. As one participant said, “we all have professional certification for teaching and we are all assessed based on the same criteria” [A10].

4.5.3. Monitoring and Evaluation

Monitoring and evaluation is a type of control system which is used to motivate, monitor, and reward achievement of specified goals. Regarding the current administrative system, some of the management and academics believe that the system to monitor and evaluate OUI activities, to some extent, has not been
embedded in practice. OUI has a monitoring system to ensure that the tutorials and examinations are conducted properly. Each semester, the university sends staff from head office to monitor face-to-face tutorials and examinations in learning centres all over Indonesia and overseas. They are required to provide reports to management. However, follow-up seems to be efficient. As one participant said, “OUI has spent a lot of money to send its staff to do monitoring but the feedback to solve the problems seems unlikely to happen” [A12].

OUI has a quality assurance centre to ensure internal core processes in OUI are applied according to the standards. This quality assurance attempts to help OUI achieve the quality standard, improve the quality of its academics and the quality of internal management and increase students’ participation rate. To date, the quality assurance centre has developed 81 guidance/handbooks, 62 standard operating procedures and 171 manuals. While the tacit learning of human capital is accumulated to become the required standards, human activities must also comply with standard operating procedures previously developed. As one participant said, “the performance and rewards system contribute to the development of human capital in OUI” [C5]. In this case, the development of human capital has a causal relationship the human resource development system.

While the quality assurance centre focuses on internal management, the control system focuses on the financial aspect of the administrative system to ensure activities are conducted based on regulations. As one participant said, “we look at the physical evidence whether they are consistent with the regulations applied or not. Our responsibility is to ensure the compliance” [B6].

One of the requirements for the legal entity is the enactment of the internal control system unit (SPI) in the organisation. To what extent the control system impacts the performance of the OUI depends on the level of compliance of the units and centres with the regulations promulgated by management of OUI. The staff of SPI are now full-time internal auditors, not just academics who hold internal audit certifications. The level of compliance by units and individuals and other types of positive behaviour may leads to positive financial behaviour.
There are also formal information systems which the managers use regularly and personally during the decision activities of their subordinates such as in meetings. Meetings are important to build a positive communication and supportive working environment toward organisational objectives. As one participant says,

*I'm surprised to see that Faculty of Education is more responsive to real situations and problems coming from the students, and translate the regulations ruled out from the government into actions...Salute to the Dean...* [C6].

The participants argue that the Dean (without mentioning the faculty) is able to open communication with the staff and the environment in which the unit is embedded. So, the Dean can understand the needs of the stakeholders and the market. The faculty has just opened a new program of study to meet the market demand and produced regulations aimed at improving students’ performance. Some of the staff agreed that these initiatives have elicited very good responses and boosted the number of students. However, the meetings and coordination could generate negative responses from staff. As one participant said,

*We often argue about the internal matters. To refine the curriculum we often have barriers from IT centre – which supposed to support the academic improvements. Even though we are the only one, but the ODL system is not exclusively ours. Many of the universities in Indonesia also offer their programs of study in ODL mode – which is our competitors. But then, how can we compete with others since our mindset merely inward looking?* [A11]

Some of the staff believed that meetings and coordination should be done timely and in an effective manner so that the meetings produce productive outputs/positive results. Unproductive meetings decrease work motivation.

Some of the academics and the management believed that some of the policies made to ensure the compliance of human behaviour toward the regulations the OUI, for example human resources development policy helped to achieve the strategic direction of OUI. As one participant said,

*Regarding the elaboration of the academics to enhance their capacities, the academics were required to study related to the open and distance learning as its centre of excellence, but now the policy has changed. The academics are encouraged to study related to their discipline of study.* [C4]
Based on the interview university uses a mixture of different forms of levels of control. These includes planning and budgeting, quality assurance review, assessment and accreditation, monitoring and evaluation and the evaluation meetings conducted from organisational level to the unit level.

4.6. LEADERSHIP AND ORGANISATION CULTURE (key theme 4)

Leadership and organisational culture is the fourth key theme that emerged around the role of HC influence. While leadership is the ability to inspire or influence others toward the organisational goals, organisational culture is a system of shared values and beliefs which governs how people behave in organisations toward organisational objectives. Thus, leadership and organisational culture have a causal relationship (Schein, 2010). The common shared values that have been identified during interviews were teamwork, freedom of expression (open communication), commitment to students (regarding degree and accreditation) or service excellence, lifelong learning and innovation. This theme is embedded in the human capital in the organisational context of ODL and global context of ODL and the organisation’s activity. The leadership and organisation culture theme cannot be discussed just based on data gathered from interviews. This was supplemented by direct observations carried out during the field work and the researcher’s own personal experience as an academic during her work in OUI discussed further in Chapter Five.

4.6.1 Characteristics of Leaders

The role of a leader is central in organisations (Aref & Redzuan, 2009; Spears, 2010). The leader must have a set of leadership characteristics. As indicated by data gathered (from interviews and observations), leaders must have a clear visions be adaptive to the current situation, and be able to manage office administration on a daily basis. As a participant said, “to become a leader, he or she must have a vision and optimism to be able to become a role model for his/her subordinates” [B6]. The majority of the participants agree that a leader must have a sound visions. The role of a leader is critical as he or she contributes to defining the direction of a team and communicating this to people, be able to motivates, inspire and empower people. The majority of participants viewed that the leader
must have the vision to break away from norm and aim for a better future; this view confirmed the role of educational leaders (Orr, 2006).

OUI leaders must also be adaptive to current situations to be able to adapt and attain competitive advantage. Having flexible regulations and being adaptable to public demands helps OUI develop and at least maintain its performance. As one participant said,

*There are regulations related to the economy that can be used to improve the performance and to increase the number of students. Academics and Dean of our faculty (economic) should be more adaptive to this situation.* [C6]

Leaders’ adaptability and the ability to change (or be changed) to fit new circumstances, is a crucial skill for leaders and an essential element of emotional intelligence in a leader. This emotional intelligence aspect is one of the dimensions of leadership (Green et.al., 2015) enabling people and culture to adapt.

In OUI, leadership is not only about getting people to understand and believe in your vision and to work with you to achieve your goals, but also ‘managing’ which is more about administering and making sure day-to-day things run as they should. As one participant said,

*As a unit leader, my job is not only to serve students but also to certify documents. During this month, I have signed about 45 thousand copies of graduation certificates.* [C6]

Such an administrative work load does not only happen in OUI’s learning centres but also in faculties. Academics are supposed to be focused more on academic responsibilities, but in certain conditions, administrative work is more dominant in order to provide required services for students. Being OUI leaders, she/he must have a set of unique characteristics to operate in the complex system in which OUI operates. Such conditions need leaders with good communication strategies to balance the interests of OUI’s students and its academics. Management believes that communication strategies must not always come from above; often, bottom-up leadership is more effective (Fullan, 1994).
4.6.2. Leadership Style in OUI: Bottom-Up Leadership

Bottom-up leadership is one of the most common words which emerged from the interviews. In top-down leadership, top management’s expectations are clearly communicated to lower management. Top-down leadership could be effective to introduce policies and regulations; however, it might discourage academia from actively disseminating their ideas (Goldfarb & Henrekson, 2003).

In the bottom-up style, the ideas are communicated from the lower level of the management, even from the lower level of employees. In the university, in which the communication is based on freedom of expression, bottom-up leadership is supposed to be more dominant. As one participant from management stated,

> It’s not only the leaders who can make decisions. we give employees freedom to express ideas and determine their goals. such contributions come from the bottom, which is represented by, for instance, the budgeting process. [C1]

Bottom-up leadership exists in the faculties in which academics propose unit and discipline programmes and individual work plans for next year. Bottom-up leadership can successfully promote freedom of expression. For most academics, they view their leaders as academic peers, which consequently influences the relationship between leaders and academic staff in OUI to be more egalitarian. Such a condition, however, does not apply among administrative staff; their relationship with their leaders is more hierarchical, possibly due to the nature of a bureaucratic institution which is embedded in OUI.

Based on my observations and my personal experience in OUI, the leadership style influences how OUI’s organisational culture has been shaped. First, ‘one voice from the top’ is represented by the situation in which top management has already understood the situation before lower level staff speak up. Second, in case different perspectives occur, the views from the bottom are often not accommodated; instead, they are only listened to but those views are often ignored. Third, the policies which have been undertaken seem to be the results of consensus, but in practice, they are not. Fourth, leaders take the responsibilities away from their subordinates only if the policies undertaken are inappropriate. Fifth, the leaders are concerned about the welfare of their subordinates. Sixth,
academics are posited as course managers because the university posits itself as an educational service provider rather than as a knowledge resource.

4.6.3. The Role of the Leaders

There is no real gap between academics and their leaders except monetary incentive and rewards. Thus, there have always been strong competition among academics to gain promotion to strategic structural positions in the faculty. This view is also supported by the majority of academics that connect the role of leaders with working conditions. They argue that openness in communication and empathy from the leaders are important to build ‘fairness’. As one participant stated,

    fairness is built from the openness in communication and welfare can be developed based on good communication between top levels and their subordinates. [A3].

The majority of staff (academics and administrative staff) believe that the role of leaders is critical to fill the gap in monetary rewards by giving more personal communication with their subordinates. For most of the academics who often work individually, communication is vital not only to disseminate ideas and to reach a consensus but also to promote job satisfaction. As one participant said, “…that is the facilities and medium/tools to support working conditions that make employees feel comfortable in doing their job”. [A2].

Fairness has a relationship with job satisfaction (Bettencourt & Brown, 1997); furthermore, good communication and good working conditions are motivating factors. While the existence of such conditions could motivate staff and influence job satisfaction, the non-existence of conditions such as fairness in monetary reward could demotivate employees and increase job dissatisfaction (Herzberg, 1986). Motivating factors potentially promote positive working behaviours; on the other hand, dissatisfaction factors might eliminate positive behaviour if the employees are not fairly treated.

Some of the participants believed that fairness is important not only because it leads to job satisfaction but it also builds trust and positive organisational culture. As one participant said,
the most important factor in building organisation culture is fairness in welfare. The gap between the highest position with the lowest position must not be too broad and must be transparent. [B1]

The role of a leader is important in building organisational culture. Personal leadership to create fairness of welfare enables people and culture to adapt. That view was also supported by academics. Some academics agreed that leaders could reinforce people behaviour toward expected outcomes by using their influence (Green, Holder & Cameron, 2015). Thus, the role of leaders is central in juggling between emotional intelligence, power and outcomes for OUI to become an excellent organisation. As one participant said,

the role of a leader to build a corporate culture is central. Corporate culture is built when the employees have confidence to do their job and the confidence is built by a leader. [A3]

There has been a saying among the staff that “our leader (not to mention his/her name) is our culture”. [A10]. Leader is a symbol, given the fact that previous leaders of the university had a strong influence over OUI’s working conditions and organisational culture. Leadership and organisational culture have a causal relationship. Leaders read certain characteristics to encultivate beliefs, values, and assumptions to shape organisational culture and allow the university to grow (Schein, 2010). The other side of leadership is further explained in the sub-theme of organisational culture, which is discussed in a subsequent section.

4.6.5. Learning Values: Lifelong Learning

The motto of ‘lifelong learning’ is not exclusively addressed to students but is also applied to OUI’s employees. Academics and administration staff are encouraged to develop their knowledge, skills, abilities and other characteristics needed for individual development leading to organisational improvement. Some academics are given additional tasks beyond their role as academics. Many academics are assigned to units, centres, and regional offices within OUI to become specialists in specific areas such as internal auditors, multimedia specialists, or outside OUI such as assessors. This situation also applies to administrative staff. Every four year, administration staff must be rotated to another unit within OUI. As one participant said,
I used to work in the multimedia centre. Now, I’m working at distribution centre in which the role is significantly different. I like it, it gives me an opportunity to learn new things and work with a new team. It’s quite challenging. [B9]

The majority of administrative staff agreed that job rotations give them opportunities not only to develop, but also to overcome boredom. As a public institution, most OUI employees were recruited through the civil servant scheme (known as PNS). Consequently, they work in OUI until they are retired. Hence, job rotation is a good way to minimise job dissatisfaction and accommodate career development. The leaders must carefully communicate such decisions to their subordinates to reduce negative effects of this rotation policy, for example, feeling discarded because the staff member is transferred to another unit. The value of lifelong learning has been embedded in HC practices and become part of OUI organisational culture.

4.6.6. Teamwork and Freedom of Expression

There are other characteristics embedded in social relations, which are also embedded in organisational culture. Teamwork is one of the characteristics embedded in management and employee’s worklife and social relations in OUI. This becomes the collective activities of OUI employees. Most of the activities in OUI are based around teamwork. Meetings are held every day in OUI. Teamwork is a dynamic process involving two or more staff with complementary backgrounds and skills, sharing common goals and exercising physical and mental effort in planning, organising, actuating, assessing or evaluating the academic and administration processes. This is accomplished through interdependent collaboration, open communication and shared decision-making. The majority of participants believed that they are actively involved in a number of activities organised by OUI both formal and informal. As one participant said,

*OUI cares about its employees’ well-being by providing health and sport facilities that enable staff to engage. Such activities potentially build positive relationships and teamwork amongst employees.* [B3]

The majority of the participants are happy when they are assigned to be involved in team-based tasks such as organising events. A question has been asked of
academics and administration staff about the individual capabilities that have been developed. Most of the participants agreed that teamwork is one of the capabilities most often embedded and developed. As one participant said,

*My job has given me opportunities to work together with different people from different institutions in well-structured work plans.. and that's pretty much interesting..”* [B1]

Many university events are held during the year, such as formal meetings, seminars, workshops, training, national commemorations, religious celebrations, recreations/gatherings aimed at building good relationships and teamwork amongst employees. There is a sense that employees always participate in OUI’s events to engage socially with their colleagues. Most employees agree that they are excited to work together with other staff and to become team members. As one participant said,

*I am happy to work in OUI, compared to having team members who are helpful and easy to work with and love what they are doing. The feeling of ‘matters’ – that is more important.* [B5]

Most employees feel proud about being part of OUI teams that play a significant role both nationally and internationally. Being a team member, they become socially engaged with their peers and communities. Thus, they are able to understand and communicate ideas easily. However, many employees do not work in teams – either because they are literally individual contributors, or because the team they belong to is dysfunctional. This happens sometimes amongst academics having who focus more exclusively on the academic job, further explained later in the autoethnography section.

Another characteristic embedded in OUI is freedom of expression which is dominant in academics routines. Some academics agreed that freedom of expression is important in academic life. However, there are some minor pessimistic voices with regard to this freedom of expression. As one participant said,

*I’m pretty sure that your ‘voices’ will not be heard by the management.. only in certain conditions.. when the graduation ceremonies are held in the main campus.* [C7]
Academic freedom is an aspect of intellectual freedom concerned with particular institutional needs of the academic. Freedom of expression cannot stand alone without support from management. When their academic freedoms are denied or ignored, people tend to be more pessimistic and their motivation to build the university’s performance is reduced. Thus, it is important to accommodate (and to appreciate) the voices coming from ‘the basement’ to generate more valuable ideas and voices for the ivory tower.

4.7. PERFORMANCE AND VALUE ADDING (key theme 5)

Performance and value adding are the fifth key theme that emerged from the data. Initial questions were first tested by a group of senior academics in a pilot-Delphi study to gain a deeper understanding of the notion of performance and value-adding. There is a consensus that ‘performance’ refers to “the degree of the university’s achievement in realising its goal and missions” [A2]. Not only does the performance of OUI include the qualifications of the people (academics), product (learning materials) and the service (consultation for students), it also includes the qualifications of the outputs (graduates). Value-adding refers to the addition of features to a basic product and service that has been provided by the university to its students.

4.7.1. The Notion of Performance

As stated previously OUI provides flexible access for people to study in higher education. The number of students alone is not a good indicator for the performance of OUI. The level of access is a better indicator. As one participant said,

\[ \text{OUI's performance is the capability to access, not the student number. Even though we have thousands of students, it does not mean anything if we do not have access to reach people living in the countries. The wider the access, the higher the performance}. \] [A3]

Access and flexibility are the unique contributing factors for OUI performance other universities in Indonesia do not have. Other universities might have distance learning programs, but they do not automatically have a distinctive system to provide access for those living in remote areas and flexibility which enables
students to learn in a distance context. They also might have qualified academics in their field, but they do not have the set of skills which the ODL system needs, such as instructional design and multimedia authoring. These conditions enable OUI to have distinctive factors for ensuring competitive advantage.

4.7.2 The Quality of the System

Based on discussions with some of senior academics and practitioners in the pilot-delphi prior to the interview sessions, the quality system is a reliable system that produces necessary information and data to support decision making internally as well as nationally and internationally. As one participant said, “quality system is technology-based for efficiency, accuracy, timeliness, and accountability purposes” [C1]. Therefore, the quality of the system discussed is the quality of OUI’s academic and operational systems, such as learning support system, examination system, internal quality assurance system including the capacity to provide access.

4.7.2.1 The capacity to provide access

As an ODL university, one of OUI’s performance indicators is the capacity to provide access. As one participant stated,

access is one way to reach those who live in remote areas. Has OUI provided access? If the answer is ‘yes’, thus, OUI has achieved its performance. [C1]

The same question has been asked of the rest of the group, and the majority of management believed that OUI is the only university in Indonesia which is able to provide significant access to people living in remote areas. Similarly, the majority of participants external to university also believed that OUI is the only university to provide access as mandated by government. As one participant stated, “those who live in remote areas of Indonesia, they cannot be rejected or ignored. That is why OUI exists.. to provide access and service to them”. [E2]

The majority of the participants agreed that OUI has provided access which can be measured by the range and location of students. However, the total number of students enrolled does not represent the capability of OUI to provide access because the students are not equally distributed. As one participant stated, “More
than 70% of the students are teacher students, and the OUI should be aware of this situation...” [A11].

Some academics believed that the current number of students cannot represent effective OUI performance. Even though OUI has graduated nearly one million graduates, this number is dominated by the high percentage of school teachers. While the number of graduates has been achieved, the quality of the graduates who contribute to their field remains questionable. Some of the academics believed that OUI has outperformed the number of students because OUI has benefited from the government’s regulation (PP Number 14, 2015) that requires school teachers to be professionally certified. As one participant stated,

More than 50% of OUI students are teachers. Thus, we are talking about the teachers as OUI’s performance indicator. By having the capacities as certified teachers, do they teach better in class? To what extent that the graduates (teachers) be able to fulfil the requirements of qualified teachers? From the perspective of organisation (OUI’s performance) we might say ‘Yes’ OUI has performed... but.. from the perspective of the public (outcomes, such as teaching competencies), we still do not know.. [A2]

Some of the academics believe that OUI has achieved its performance effectively because the job/career that the graduates possess already aligns with their disciplines of study. Ninety nine percent of OUI students are already employed when they start studying at OUI. The academics that the performance of the graduates depends on the working environment which influences their work rather than the actual study itself. As one participant said,

One’s achievement in his/her career is not only affected by his/her study in the university. Instead, it is determined by the working environment in his/her workplace including the management. On the other hand, if he/she is not well performed, we cannot say that the knowledge/qualifications brought from the university is not enough. [ A3]

From the academics’ point of view, a more customised learning support and approach is needed to provide learning delivery to a ‘high quality standard’. As one participant said, “we need to understand the characteristics of OUI students and provide the services and learning support according to the needs of each group”. [A8]
To improve the quality of the system, OUI needs to identify the actual needs of its students. The students in the ODL system do require learning assistance from their tutors (both in online and face-to-face tutorials) since they do not meet the lecturers as in the conventional system. Thus, OUI must be able to provide eligible and competent tutors for its students. One of the endeavours to improve the quality of its tutors is through open recruitment and training for tutors as well as a sanction and reward system for tutors and students.

4.7.2.2 The learning support system

The learning support system is one of the factors that determines the quality of the system. As one participant said, "learning support for students must be considered due to the nature of ODL."

[C1]. The learning support system in OUI includes learning materials (printed and online based learning materials), learning delivery (face-to-face and online tutorials) and consultations that provides learning assistance for students. The system enables the students to study any time anywhere by utilising the learning materials available. As one participant said, "the quality system must include learning delivery system. The learning system must be innovative, creative, and unique". [A4]

Some of the academics agreed that the media for learning should be updated and available online. This then enables students to learn in a distance education mode and choose different type of media of learning depend on their own situation they have. As one academic stated,

we will never be able to provide a high-quality standard unless we understand the students (the characteristics). To date, we tend to generalise the students which in fact, they are completely different." [A8].

The majority of the academics believed that OUI tends to generalise the learning support and service for students regardless of their residence, age, education and cultural backgrounds, learning facilities, and experience in using IT. For example, students who live in remote areas and small islands do not have the same level of access as those who live in cities and densely populated islands such as Java and Sumatra. Students who live in remote areas have a lack of power supplies which is only available during the day and do not have access to the internet and computer. For those living in the small islands, such as in the Moluccas Islands,
public transports such as ferries are not always available. So, they must travel day and night using small boats to reach the learning centres for having face-to-face tutorials and consultations.

Moreover, to achieve ‘high quality standard’, the learning support system must be able not only to fulfil the needs of students, but also the content of the learning support must also be regularly reviewed. As one participant said, “we must have the proper multimedia-based learning materials and they must be reviewed by the scholars relevant to their field.” [C1]

OUI requires all learning materials to be available online and updated regularly. So, the role of tutors does not focus only on learning delivery, but also on learning support including materials and consultations. These conditions aim to improve the students’ achievements or grade point average (GPA). While students at conventional universities can achieve a high GPA, students of OUI tend to have lower GPA outcomes. The achievement standard between traditional and ODL universities is different, and the students are required to achieve high GPAs to fulfil employers requirement. Therefore, OUI needs to maintain and improve its learning support system that enables the students to improve their academic achievements.

4.7.2.3 Examination system

The quality system embedded in OUI also includes an assessment system. As one participant stated, “...the quality system must include the assessment system which is multiple representations of understanding as to allow students to show their performance through various means” [A4]. The main examination format for the diploma and undergraduate programmes is the used multiple choice questions which in itself is questionable. The questions were developed and reviewed by academics from various disciplines of study based on the learning materials used as study guidelines. The system has been designed to assess the students’ ability in learning subjects. As one participant said,

“The questions were developed based on the printed modules distributed in the normal curve from the easiest to the hardest questions. We have developed the system for years since OUI was first founded. I think, we have the assessment system to a high standard..” [B5]
The majority of the academics agreed that OUI has a standardised examination system which is not easy to follow. As one participant said, “I tried to answer the questions I have developed before and the result is. I was not able to reach even 80% of the correct answers” [C3]. The examination system is designed so that if students do not study and are not well prepared for exams, they will most likely fail the exams. While the registration for students to register and enroll subjects is open all year, many of the students do not have sufficient opportunities to study and prepare for the coming exams.

Final examinations in OUI are conducted nationally every semester. The students can take online examinations if they are not able to sit in the regular exams. However, the subjects for online examinations are not always available. As one participant says, “I must sit in the exams even though I have just delivered a baby.. otherwise, I must re-register the subject next semester as the subject might not be available online” [Student from Pangkalpinang].

4.7.2.4. Quality assurance

The quality system must also have a quality assurance system. As one participant stated, “…quality system must have an assurance and control mechanism for accountability…” [A4]. Quality assurance and control are needed for accountability purposes including public audit and/or accreditation processes. As one participant argued, “.. quality assurance must be accessible for the clients and users at different levels – anywhere, anytime..” [A4].

From 2002, OUI has developed the quality assurance system to ensure the quality of its academic products. The system was adapted from the Association of Open Universities (AAOU) Quality Assurance Frame Work. From 2006, OUI also started to adopt the ISO 9001 international standard and the quality management system is intended to to ensure the quality of its learning materials, assessment materials, administration and academic support service, and distance learning centres. OUI must also meet the requirements of the national accreditation body of higher education (BAN-PT) for academic resources, products and curriculum. The quality of the assurance system in OUI also has an international quality review certificate from the International Council for Distance Education (ICDE)
in 2005. After ten years of quality assurance since it was first founded, OUI now has ten integrated quality control components and 110 best practices in its quality assurance system [OUI Annual Report, 2015].

4.7.3 Quality of the Academic Products

The quality of academic products includes the academic programmes and academic processes. The quality of academic programmes reflects compliance with national and international standards, recognition by national and international accreditation agencies and the fulfilment of students’ learning needs. The quality of academic programmes depends primarily on the qualifications and experience of the academics who develop the curriculum and the materials as well as tutors who deliver the online and face-to-face learning. As one participant says,

\[
\text{we provide the students with hundreds of online tutorials and face-to-face tutorials and we keep updating our online learning-based materials, we have thousands of certified tutors to assist the students.}[C1]
\]

Management agreed that the quality of the academic products in providing learning delivery for students depends on the tutorials which have been held. Currently, OUI has more than 1000 external tutors to assist the face-to-face tutorials conducted in 40 learning centres (OUI report as of April 2015) as well as online tutorials. Management agreed that OUI has provided students with appropriate learning support. Despite the number of tutors, the quality of the tutorials themselves is still questionable. As one participant said,

\[
\text{the quality of tutorials is more important than the number of students in one class or the ratio between tutors and students.. how do we know it is qualified or not? the students asked. They have rights to say whether our service is good or not.}[A3]
\]

Even though the tutorials (online and face-to-face tutorials) have been designed to meet students’ needs, the tutorials have not yet met their expectations. As one participant said, “...in certain subjects (not to mention the subjects), we are not provided with the assignments and discussions except some tests” [D8]

Overall, the majority of students are satisfied with tutorials. Thus, the satisfaction of the students in achieving their academic performance can be an indicator of OUI’s performance. As one participant said,
finally, I finished my study and got satisfactory GPA after I have been struggling for seven semesters. Online tutorials helped me pass the hardship and get satisfactory results. [D9]

While the quality of the academic products depends on the qualifications of its academics and tutors in delivering the learning process, the quality of the learning process depends on the quality of the service provided for the students. As one participant said,

*does the university care about its students? How does the call centre treat them? How do the academics help students in learning? If we cannot provide assistance, help the students to cope with their difficulties, we are not performing yet.* [A3]

The majority of the academics agreed that the performance of OUI depends on the quality of academic support and services provided for students more than the quality of its academic products. Students also supported this argument. As one student stated,

*some people said that it is hard to get satisfactory results (high GPA) in OUI especially in the discipline of Accounting. Even if face-to-face tutorials are available for students, but I'm pessimistic. We are required to study independently and understand the subjects within a short period.* [Rimma Putri Pangiersa, 5 May 2015]

In the current competitive market, OUI is not the only university operating in distance education. There are some private universities starting to operate in the ODL system. Thus, the quality of the academic support and services must also be comparable and competitive in the national and international arena. This includes the learning support for students at all hours. As one of the students said, *“the list of academic counsellors really helps. If I need assistance related to the subjects, I know to whom the questions must be addressed.”* [Muhamad Isa Al Ahsan, 12 September 2015].

Some students argued that the service provided for students is not given equally, particularly to students in remote areas. The majority of academics, tutors and students agreed that the services for the students have not yet reached those students residing in remote areas. Thus, the academic support and service for
students still needs further development so that OUI can compete nationally and internationally.

4.7.4 Qualifications of Academics

Based on the pilot Delphi, the quality of academics is determined by their contribution to their scholarship and professional field as well as their intellectual disseminations and publications in international and national arenas. As one participant said, “the academics must have the highest possible credentials in the respective area, prolific publications, and be a member of professional bodies”. [A4].

The qualifications of the academics are rated positively by students and their colleagues. Academics must have teaching and learning showcases and research portfolios for being active in various scholarly and scientific forums including acquiring patents or other forms of intellectual property rights. As part of the academics’ function, an academic must also be an active member of various working teams and professional organisations in local and international forums based on his/her expertise. When the participants were asked about their perceptions of what they can do (capabilities) with what they have (capacities), the answers vary. As one participant said, “…success cycle – set a goal, make a plan, get connected, stay involved..” [A4].

Some of the academics agreed that each has to set goals within his/her working and professional career based on his/her capacity. They should have career planning and pathways to achieve their individual goals. According to the three pillars of the academic mission (In Indonesia, this is known as Tridarma), academics must get involved in education and teaching, research and community services. These are to complete the individual goals that help to achieve organisational objectives. While some academics believed that organisational objectives depended on individual strategies, some academics, argued that support from the institution is more important than individual strategies. As one participant stated,
supports from OUI for professional development, work arrangement and assignment, establishment of conducive working environment, and application of reward and sanction systems. [A2]

Some academics believed that the opportunities to enhance academic capabilities was dependant on management support. While some academics believed that opportunities to undertake further studies or attend conferences are determined by management decisions, others argued that the opportunities to develop academic capabilities depend on the efforts of the individual academics. The sanction and reward system applied is needed to create opportunities to enhance the qualifications of academics. As one participant said,

Knowing what is best from each and giving them the role based on their capabilities. Using the reward system to motivate them meeting their potentials and achieving their performance. [A1]

The majority of academics admitted that the reward system applied is effective enough to motivate academics to perform. For example, monetary rewards are available for those having publications. However, the financial reward system applied still may not allow them to achieve their potential. One of the reasons is that the administrative functions dominate the working hours which are supposed to be allocated for academic functions. Most of the academics involved in the team, who hold structural positions, have meetings during office hours. When they do not have meetings, the academics must deal with administrative work related to the academic programs, such as seminars, internal audits, and reports and accountability. Some of the academics argued that giving the academics freedom of expression to do teaching, research and community services becomes more important to develop appropriate capabilities and capacities of current academics. Just as one participant said, “empowering our administrative peers to support us, so that we can focus more on the academics job” [A8]. These conditions enable the academics to focus more on the outcomes rather than outputs, such as how to produce graduates that perform well in public.

4.7.5. Qualifications of Students/ Quality of Graduates

According to a government regulation about the national standard of higher education (Permendikbud Number 49, 2014), students with a high academic
achievements refers to those who have a GPA greater than 3.5 and also meet the requirement of academic ethics. However, academics in OUI argued that qualifications of students cannot be seen from the GPA and duration of study. Instead, the capabilities students performing with in public is a better indicator. As one participant said, “the most important factors in determining OUI’s performance is to what extent the graduates can perform in their workplace...” [A1]. Some academics agreed that qualifications of the students cannot be measured by the number of enrolled students. However, OUI had achieved its performance target to have a large number of enrolled students and a distribution of students as a posture indicator for providing access to people living in the remote areas. Management argued that “access” is the key indicator of OUI’s performance rather than producing graduates with high academic achievements (GPA). Some of the participants also identified other factors, not only the ability to provide access but also the retention rate of students and overall course completion.

4.7.5.1 The retention of students

The retention of students refers to persistence, as one participant said, “OUI does not recognise dropout system, thus, the ‘retention’ could be one criteria...” [A3]. Another participant from the group of management added,

OUI is lifelong learning. We believe in the openness philosophy. Openness means no limitation to studying. That is the philosophy we have been trying to apply in our system. Thus, we don’t recognise drop out system.. For OUI, nobody does better institutionally whether he/she finished study in 4 years or 20 years. [C1]

As a result of lifelong learning philosophy, management argued that the duration of study is not a good indicator of OUI’s performance. However, the length of the study is required by the government as one of the indicators to measure performance in the higher education institution. As one participant said,

duration of study is the only indicator which is not our performance indicator. We have been fighting to have our own standard so that ‘no limitation of study’ be applied. The lifelong learning philosophy has been defended in front of BAN-PT (national accreditation body) but then.. we finally must compromise with them to set the duration of study as one of
criteria of performance even though we never agree with that. OUI’s students are finally allowed to study maximum for 12 years...[C1]

According to the national accreditation body for higher education (BAN-PT), OUI’s students are allowed to accomplish their study within 12 years. During this time, students are allowed to register or deregister from program since a dropout system is not applied. The management believes that the principle of lifelong learning could engage OUI with its students. However, some academics argued that even though OUI does not recognise a dropout system, duration of study should be included as one of key performance indicators. As one participant argued,

the more students drop out from a university, the worse performance it has. This sort of indicator does not apply in OUI. OUI does not recognise the dropout system. However, the longer the students finish their study could indicate the worse the performance it has and we need to set the criteria. [A3]

Similarly, some academics argued that OUI should be aware that the number of students is decreasing even though a drop out system is not applied. As one participant said,

OUI is now saved by the PGSD (teachers programme) in which students who study in the diploma program continue their study to bachelor program. I assume if the program is over, there will be only about 150 thousand students left. This condition is pathetic considering we (without mention the faculty) have a quite number of new students which we are quite happy with, but then most of the students stop in the third semester and only a few number of students left and continued to survive. [A11]

Administrators and the faculty can also make an effort to enhance the student retention rate. For instance, in online courses where attrition has been reported as being higher than in traditional face-to-face courses, the faculty can strive to make connections and meet the needs of individual students for course completion.

4.7.5.2 Course completion

OUI attempts to improve graduate rates and decrease loss of tuition revenue from students that either drop out or transfer to other universities. To what extent OUI is able to maintain its regular students depends on the qualification of academics who carry out the program and produce academic products. This enables students
to engage more effectively with OUI in order to complete their studies. As one participant said,

There’re perspectives of how to measure OUI’s performance. The easiest indicator is the completion of study, how many students finish study ‘on time’ and have satisfactory GPA. [A3]

OUI, in certain distance learning units, now has programs for students that help to keep them engaged in their classes and stay involved on campus. This includes face-to-face tutorials, orientation programs for new students and new graduates seminars. These on-campus related programs are important because the students then may be engaged more with their peers and this would directly impact the student success factor. When students participate, they form both social and emotional ties to the university. This condition may then encourage students to perform well academically and reduce the chance of dropping out or leaving for other universities. However, most students do live in rural and remote areas in which qualified tutors are hard to find. Attending face-to-face meetings with regular scheduled times is not feasible for most working students in these areas.

Disseminating academic administration and information on time has also been very difficult to do since students are scattered throughout the country. These problems are believed to have contributed to in the low course completion rate. One participant said that the ability to provide access is an important indicator of the OUI’s performance.

The indicator of OUI’s performance is not the student numbers. Instead, the span of service (the ability to reach). . to what extent OUI is able to ‘serve’. Whichever can reach the students in the remote areas, they might be considered as having better performance compared to those who have more students. [A3]

In order to assist students to overcome learning difficulties where opportunities for face-to-face interactions with tutors are limited, OUI offers student learning support such as tutorials and counselling delivered face-to-face or at a distance. The recent development of ICT and its infrastructure in Indonesia has opened up a possibility for OUI to provide students with a fast, reliable and affordable two-way communication channel. Students are expected to be advantage of online
tutorials which would then contribute to higher completion rates and achievement compared to those students who do not do so.

4.8. CONCLUSION

The interviews resulted in thirty-four codes which were then grouped into five key themes: human capital, online and distance learning, strategy and control system, leadership and organisational culture, performance and value-adding. These key themes were then clustered into three major themes of the performative approach to HC. First, human capital in OUI is considered to be all human resources, not limited to academics but also specialists and academic support staff because of the nature of OUI which has a focus as an education service provider rather than as a knowledge resource. The individual capabilities of academics as knowledge resource have not yet fully developed compared to other campus-based universities. Only capabilities that support ODL system have developed and only the ODL related capabilities which align with the center of excellence of OUI can attain unit-level performance. There are factors promoting and hindering the performance of these individual capabilities. As a public university, OUI is bound by regulations from government and the implementation of the systems in practice, is enacted through OUI’s policies. However, in some cases, the government regulations are not aligned with the OUI’s internal core processes. Second, in the ODL system, the philosophy of openness promotes open access to higher education and flexibility in learning. Access to education is facilitated by the flexibility of OUI’s learning system from the registration system, learning system (such as tutorials), as well as the examination system. OUI’s internal core processes (the administrative systems) allow HC to develop by ensuring the regulations implemented are properly managed and evaluated. The strategy and control system has been embedded in OUI’s internal core processes because of OUI’s nature as a public institution which is governed by government regulations. While leadership and teamwork are the core values that have shaped OUI’s organisational culture which then builds the structural capital (SC) and relational capital (RC) in OUI. These types of capital then create value for OUI.
Third, human capital impacts OUI’s performance in regard to delivering OUI’s proposed set of values for its students by linking HC with its value adding service. ‘The capacity to provide access’ and ‘flexibility of the system’ are the unique contributing factors for OUI performance. OUI does not assess course completion or duration of study as an indicator of performance, rather, OUI assesses the qualifications of students and graduates, qualifications of academics as well as quality of academic products and the system in ODL context. Thus, in order to ensure the value in propositions is delivered, OUI must satisfy performance measured by the value-adding outcomes which were attained from the value adding processes involving activities supported by the resources and capabilities of its HC.
CHAPTER 5. ANALYSIS OF CASE STUDY

5.1. INTRODUCTION

This chapter analyses the data gathered and themes in the findings that emerged in chapter four. As identified earlier in chapter three, the aim of data analysis in a performative case study is to explore a phenomenon in practice and not to generalise analytically as in an ostensive case study. Instead, the aim is to produce descriptions of practice that illustrate the complex, performative, and relational character of theoretical abstractions and conceptualisations. Thus, a performative case study in this thesis aims to provide insights into HC practices in OUI and implications of these for ODL in OUI. Furthermore, this data analysis enables the candidate to reconceptualise the existing theory of HC in the IC field, which is further discussed in chapter six.

To answer the research questions, the five key themes in the case study findings are clustered into three major themes which are then linked to the performative approach to HC research. A summary of the case study analysis is shown in the Table 10 in this chapter.

The analysis is divided into three main sections. In the first section, ‘human capital in OUI’ the components and the structure of HC embedded in practice is discussed to address the question of what elements of HC are centralised and developed in the practices of OUI. Second, ‘the value creation of HC in OUI’ discusses the role of HC to create value for OUI in the work environment (related to the ODL system, strategy and control system, leadership and organisational culture) that drives OUI. The third, ‘HC and value adding’ discusses the notion of performance, value adding and competitive advantage.

5.2. HUMAN CAPITAL IN OUI

This section focuses on the first research question (RQ1) “What are the elements of HC embedded in the practices of the OUI?”. In order to answer RQ1, the research question was synthesised into sub-questions of “What comprises HC?” “Where is HC located?” and “What HC functions are embedded in practice and how do these work?”.
Based on the findings, the case study analysis utilises one of the major themes in a performative approach: conceptualisation of HC. The conceptualisation of HC attempts to understand how HC elements are to be understood and analysed. HC elements are analysed based on the structure of HC, the levels of HC, and the function of HC. Ployhart et al. (2014) deconstructed HC based on structure (what human capital resources “are”), level (at which level do they exist?), and function (what human capital resources “do”). To understand the structure of HC, this thesis also utilises Mayo (2012) and Flamholtz and Randle (2012) that synthesised the components of HC into personal value, social value and organisational value. Framing these theories, this section attempts to answer first research question (RQ1) about what elements of HC are embedded in OUI.

5.2.1. The Structure of HC

The structure of HC explains “What comprises HC”, looking at ‘who’ the people are considered to be HC in OUI and ‘what components’ of HC are embedded in practice. Thus, there are two parts, the people and the components of HC that are involved in analysing the structure of HC.

5.2.1.1. The people

Academics and tutors are considered to be 'the primary human capital' in the University. They are the main actors who play the most significant role in OUI's education mission and objectives and have the capabilities to create value for OUI. As one participant argued, “The academics are posited as the most important because the core business is to provide education” [B1]. In the university, knowledge is important because it is a different kind of asset (Spender & Marr, 2005) and is embedded in the academics workforce. While most intangible assets do not qualify as strategic assets, HC is considered to be a vital strategic asset (Mayo, 2012). Thus, the role of academics and tutors in OUI is strategic as they are regarded to be the most valuable asset (Johansson, 1999, as cited in Flamholtz, 2009). Academics and tutors are the key ‘human capital’ in the OUI as they have the academic capacities and capabilities needed for OUI to exceed. As Ployhart et al. (2014) argues, human capital is an individual’s “knowledge, skills, abilities
and other characteristics” relevant to achieving economic outcomes. Academics and tutors are vital in creating economic value for OUI.

Not all individuals in the organisation are considered to be HC. Only those who possess the ability to create value are considered to be human capital (Mayo, 2012). In a conventional higher education system, academics play a significant role. However, the characteristics of the ODL system posits the university not only as a ‘knowledge resource’ but also as a ‘service provider’. OUI relies heavily on information technology as the main infrastructure to include most of its distance teaching and learning activities. OUI has an emphases on the development and maintenance of the learning materials and learning services for students. Thus, the system limits the academic activities of teaching and learning among direct forms or face-to-face modes of teaching. The majority of OUI academics believe that their capabilities in traditional university teaching have not yet fully developed. On the other hand, their capabilities in delivering online learning such as instructional design and multimedia authoring have been well developed.

Similarly, the role of critical academic support such as specialists and administrative staff with their specific capabilities, such as in the IT centre, multimedia centre and examination centre, are vital. For example, OUI develops its learning materials and to do so OUI is supported by the specialists (such as media developer, directors, audio/video specialists) who have the relevant expertise in the media of learning. In the examination centre, OUI is supported by experts in assessment and measurements to ensure the validity and the reliability of the assessment tools. Without support from the specialists and administration staff, OUI would not be able to deliver the appropriate learning outcomes for students and providing ‘value added’ for its students and to general community.

To conclude, HC in OUI is considered to be the academics, specialists and academic support, as well as the external tutors who work casually for OUI. This aggregation of human resources are considered to be ‘human capital’ of OUI and are the principal basis for delivering outcomes and performance (Ployhart et al., 2014) and generalising competitive advantage (Spender and Marr, 2005; Ployhart et al., 2014).
5.2.1.2. The components of HC

Individual academics, tutors, specialists and academic support bring their individual capabilities and capacities (knowledge, skills, abilities and other characteristics) to OUI. Such individual capabilities and capacities contain four elements. Stable cognitive (such as ability) and non-cognitive (such as personality), situationally induced constructs (such as motivation and attitudes towards job commitment and integrity), and genetic or physical characteristics (such as strength to accomplish his/her duties) (Ployhart et al., 2014). However, the highly situationally specific variables, for example, attitudes, satisfaction, motivation, and emotion are not considered to be individual capacities/capabilities (Ackerman & Heggestad, 1997; Murphy, 2012). Even though individual capacities/capabilities that the employees bring into the OUI are valuable, those specific variables mentioned above are not economically beneficial for OUI if they are not well-managed to become unit-level capacities/capabilities. Consequently, they are not considered to be HC components that potentially contribute to creating value for OUI. Also, the assumption that “more cognitive ability is better” may not be true at the unit level because the competitive advantage in an organisation’s environment might, quite simply, not be driven by cognitive human capital (Barney, 2001). This provides a reason to include “work environment” that helps to drive OUI to succeed and discussed further in section 5.3.1.

Mayo (2012) argued that HC consists of personal value and social value. Personal values are embedded in individual characteristics such as behaviour, skills, competencies, knowledge, experience and which are embedded in a person. Some of these individual capabilities may create value for OUI, and some do not. Most academics and administrative staff in OUI have individual capabilities in multimedia authoring, developing online-based learning materials and online tutoring. They also have high level of experience in getting tasks completed. This is because of the nature of the civil servant system (PNS) that requires staff to work for OUI until retirement or resignation.
Social value is created by relationships and networks that are embedded in people in their role as part of the social structure (Mayo, 2012). The most prominent social value in OUI is the value that necessitates employees working collaboratively in teams to achieve unit-level objectives. Just as in other bureaucratic institutions, OUI is structurally hierarchical but is socially egalitarian. Employees interact with each other socially in the office or off campus. They are regularly involved in informal activities such as sport, religious and cultural events conducted by OUI and attended by the highest elements of the university hierarchy. Social capabilities embedded in individuals are the social values relevant for achieving economic outcomes at the individual level, and competitive advantage at the unit-level. Furthermore, to become a centre of excellence in ODL, the individual capabilities such as multimedia authoring and online tutoring are rare and unique capabilities. The capabilities of academics in ODL system are potentially the main source of competitive advantage for OUI. This is especially so, since the government regulation that allows other tertiary institutions in Indonesia to operate in the ODL system has been implemented. This regulation has raised the level of ODL market in Indonesia. Competition in the tertiary industry has now become more intense. However, from a human capital perspective, the unique and rare capabilities that OUI employees possess add value which enables OUI to maintain a competitive advantage over potential entrants to the ODL system in Indonesia.

The ODL specific capabilities such as multimedia authoring and instructional design are embedded individually in academics, and capabilities such as services or student facilities are embedded in academic support and administration staff. The individual capabilities embedded in OUI staff are transformed into the personal value of HC, and other social characteristics, such as teamwork, leadership and social relations, and become the social value of HC in OUI. As ODL specific capabilities, such as teamwork and leadership are developed in individual HC practices, personal value and social value, emerge in the HC of OUI. This thesis clarifies and supports Mayo’s argument (2012) that HC includes personal value and social value. Moreover, in regard to the leadership and teamwork elements embedded in HC and developed as part of OUI’s
organisational culture, this thesis also supports Flamholtz and Randle’s (2012) position that organisational culture is the third element of HC. OUI's organisational culture as organisational value is discussed further in the section 5.3.3. OUI’s relative competency in managing its resources is a positive driver of competitive advantage (Mahoney, 1995; Makadok, 2001; Sirmon et al., 2007). Ployharts et al. (2013) also suggested that HC is accessible for unit-level purposes to achieve competitive advantage. The level of HC is discussed in the next section.

5.2.2. The Level of HC

The level of HC explains “Where is HC is located?” While some scholars (psychology) focus on individual differences (knowledge, skills, abilities and other characteristics) that may lead to unit-level performance, other scholars (economics) argue that only context-specific human capital resources at a unit-level can be a source of sustained competitive advantage. Knowledge-based organisations, such as universities, may have a mixture of the different forms of human capital structures in the two levels of analysis: firstly, the individual level and secondly, the unit-level or organisational level. This section specifically analyses where the human capital is located in OUI. The answer to this question lies in Resource-based theory (RBT) (Penrose, 1959; Rumelt, 1984; Wernerfelt, 1995; Barney, 1991; Grant, 1991).

RBT argues that the organisation’s resources can be a source of competitive advantage (Barney, 1991; Mahoney & Pandian, 1992) and economic value creation through the generation of sustainable rents (Barney, 1986; Peteraf, 1993; Mahoney, 2001; Lippman & Rumelt, 2003). This perspective has been applied to HC in particular (Barney & Wright, 1998; Wright, Dunford, & Snell, 2001; Boudreau & Ramstad, 2005). Even though in the traditional accounting system, HC does not meet the criteria to be a recorded ‘asset’ due to employee turnover and measurement problems (Dumay, 2013). HC remains the most significant asset which has the capability to enable organisational success. These studies suggest that HC is a particular class of ‘sustainable rents’ resource that can be a significant driver of unit-level performance.
Ployhart et al. (2014) suggested that HC is an individual or unit level capacity based on individual knowledge, skills, abilities and other capabilities that are accessible for unit-relevant purposes. Academics, tutors, management and specialists are the HC elements who have individual capacities to create value for OUI. On the other hand, administration staff can create value for OUI only if they work collectively in teams at the unit-level rather than at the individual level. For example, the role of administration staff in student services as individuals is not as significant as their role as part of a student services unit or the role of individual academics in delivering consultation services for students. In other words, the two groups have a different level of capacities and capabilities to create value for OUI. While the structure of HC resources is capacities based on individual capabilities, actual content may be multidimensional. This reinforces the idea that there are many different types of HC resources present in each unit, not just a single, overarching resource at the organisational level as has usually been conceptualised (Ployhart et al., 2014).

Given that all human beings are endowed with a multitude of individual capabilities, and the individual capabilities are the micro foundations of human capital resources, Ployhart et al. (2014) argued that there is likewise a multitude of different types of human capital resources. Thus, units can have many different kinds of human capital resources stemming from both the variety of individual capacities and the many ways in which these individual capacities combine to form unit-level capacities. For example, if one focused purely on the individual level, some of these individual capabilities could constitute HC resources for a given unit. However, at the collective level, the nature of interactions between people and corresponding task demands may result in the combination of these individual capabilities into new, distinct, collective HC resources that are similar to their individual-level origins (Felin et al., 2009; Ployhart & Moliterno, 2011; Barney & Felin, 2013).

This thesis addresses this theoretical void (Ployhart, 2014) and suggests that value creation of human capital is drawn from these individual capabilities that have been leveraged at unit-level or organisational level. To this end, HC in OUI is a combination of individual capabilities and unit-level resources that is created from
the emergence of individuals’ capabilities that comprises knowledge, skills, abilities, and other characteristics (Ployhart & Moliterno, 2011). Moreover, Johanson (2001) argued that the enablers (individual employee’s construction of leadership, competence, and control) affect the driving force (the energy of employees to work) that impact on organisational performance. For these reasons, this thesis analyses HC at the organisation level or unit-level with a focus on organisational outcomes and competitive advantage rather than individual differences. To gain an understanding of how HC is then conceptualised, the structure and the level of HC is connected to the function of HC.

5.2.3. The Function of HC

The function of HC explains “What HC functions are embedded in practice and how do these work?” The HC function represents the entire range of practices and processes for managing people in the organisation. There are human capital related activities carried out in implementing HR policies and programmes. They include resourcing, learning and development, performance and reward management, employee relations and administration (Armstrong & Taylor, 2014).

In this thesis, these activities are grouped into three: The acquisition of HC (recruitment system), the growth of HC (training and development) and the retention of HC (performance and rewards system).

As a public university funded by government and a public service institution, OUI must obey government regulations. There are two key government regulations impacting OUI. First, the regulation in 2012 (PP Number 74/2012) changed the status of several public universities to become public service institutions. The government gave OUI autonomy to manage its funds and administration processes including recruitment and remuneration. Secondly, another regulation (PP Number 109/2013) enabled other public and private universities in Indonesia to offer distance learning programs. This means that OUI is no longer the only university which operates in the ODL system. In addition to the expansion of the competitive market due to these regulations, another critical factor is that nearly half of the administration staff are retiring. These factors impact the function of HC in acquiring, developing and maintaining HC within OUI.
5.2.3.1 Acquiring HC

The regulation (PP Number 11/2002) about civil servants and the regulation about public service governance (PP Number 23/2005) have allowed OUI to recruit new staff under the civil servant scheme (PNS) or public service scheme (BLU). The staff recruited as civil servants are treated differently to those staff who are recruited as state owned/private employees with respect to personnel regulations and policies and the performance and rewards system. This also applies to other public universities. Under PNS recruitment system, based on demands of staff needed across the university, OUI proposes the member of staff needed annually to the Ministry of Research and Technology. Both PNS and BLU recruitment systems allow OUI to undertake the required selection process. The system enables OUI to determine selection criteria which is initially open for public to apply for selection process. However, practices to prioritise some preferred candidates based on their family and social relationship with current OUI staff often happen.

Recruitment based on family and social relations has been embedded in the OUI recruiting system since it was first founded. In certain circumstances, the kind relationships such as parent-child, siblings, partners, friends can bring positive results. As one participant said, “…there’s nothing wrong with the nepotism, as long as they can prove that they can work well…” [A2]. Recruiting staff based on a close relationship with the institution would increase employees’ overall loyalty. While for most candidates, nepotism and those kind of relationships potentially raises negative feelings amongst employees. However, in order to control resources, recruiting resources internally within the organisation is easier than recruiting resources externally. These controlled resources from internal source are a greater source of economic rents for organisations compared to resources acquired from external sources (Barney, 1986a).

5.2.3.2. Developing HC

In developing HC, OUI invests in its human capital resources in the form of education and training for its academics, specialists and administration staff. Academics are encouraged to take further studies to fulfil the requirement of the
government and meet the accreditation criteria from the assessment body (BAN-PT). Similarly, specialists, such as IT specialists or multimedia specialists, as well as administration staff are also encouraged to take training specifically related to their job in order to perform effectively. Research shows that the contribution of human capital in education leads to creating economic value (Schultz, 1961; Becker, 1964). Education and training could change HC in terms of personality and cognitive ability. This leads to changes in unit-specific human capital (advanced training and experience), which in turn leads to changes in unit service performance behaviour and effectiveness (Ployhart et al., 2011). However, HC could also represent a form of costs to the organisation. The highest capacity gained from education and training has an impact in leading to a higher compensation level being paid commensurate with employee value to an organisation (Hitt et al., 2001).

Human capital does not usually depreciate, people could reduce their level of contribution and fail to excel in their capabilities. There has been an estimate that sixty to eighty percent of the potential of people in organisations is underutilised. A value-creating organisation would look for processes that enable growth and development of their people. Development is a long-term outcome which can be defined as the ability to grow people’s potential and create continuity. Investment in training and development programs is necessary and should be based on organisational needs. From the perspective of accounting, the costs of training and development distinguish between that which is needed to retain staff and that which is an investment for the future. The former is about creating a higher current contribution through better knowledge and skills while the latter is concerned with growing individuals (or teams) to enable them to contribute more or differently in the future. One budgetary allocation might cover the expense and the investments which are aimed at generating more effective future contributions. These include training new staff, increasing the personal effectiveness of employees to improve current value contribution, increasing current added value (such as in the use of new systems and better methodologies), developing expertise and potential so that people can contribute at a higher level in the future. In addition, the underlying culture and climate of the organisation is also an
important factor to help create a learning environment in the organisation that supports the training and development of staff.

5.2.3.3. Maintaining HC

Based on the findings in Chapter 4, there are two issues that appear in maintaining HC. First, the performance and rewards system (section 4.3.3.2) and second, the attendance policy for academics (section 4.3.3.3). There are two components in the performance and reward system that apply in OUI. As a government institution, OUI must follow the performance and reward system applied by the government which is more hierarchical and aligned with civil servant regulations. As a public university, OUI has a performance and reward system developed by OUI which is more suited to the nature of ODL. Therefore, the components of remuneration include performance based incentives in addition to a basic salary from government. The system incorporates elements such as performance appraisals and processes to also manage underperformance at the unit-level. OUI’s performance management system includes practices that drive decisions about performance, remuneration, promotions, disciplinary procedures, terminations, transfers, and development needs. The aim is to improve organisational, functional, team and individual performances.

In applying the remuneration system OUI adds value to people financially through salaries, benefits and bonuses. The components of the remuneration system include fixed income and performance based remuneration. Fixed income is determined based on government regulations, which is performance based remuneration that is determined by the performance appraisal results. The financial rewards are not a satisfaction factor, rather they are a possible cause of dissatisfaction. Satisfaction factors are components if they are fulfilled that would satisfy employee, dissatisfaction or hygiene factors are elements that raise the dissatisfaction level of employees (Herzberg, 1995). Satisfaction factors include opportunities, training, recognition, loyalty, relationships, a particular type of work, or feeling comfortable about the organisation’s culture and can be enough to retain people. Dissatisfaction factors include pay, supervision, resources and the flexibility of work. It is critical for a university to understand the causes of
voluntary resignation. If dissatisfaction factors are more readily apparent, this may affect the dissatisfaction level of employees.

Most people look for more than mere financial rewards. They are also interested in non-financial rewards. For example, challenging and interesting work, being associated with a high reputation university, status and self-esteem, recognition for achievement, career development opportunities, supporting colleagues, stimulating environment, and additional opportunities for travel. Non-financial rewards may also affect dissatisfaction of employees if poorly managed. The most frequent reason for people leaving a university is feeling they are not making progress in their careers or a lack of opportunity; they may have better opportunities elsewhere. As a state university, employee turnover in OUI is relatively stable because staff usually stay in the university until they are retired. However, maintaining HC is still important.

In addition, the performance and reward system in OUI is based on quantitative rather than qualitative measures. This system has potentially negative effects on work motivation among academics and other factors of human capital practices such as monetary compensation, career development, and content of the work (Kalio & Kalio, 2014). However, it would be difficult to measure staff and academic performance using qualitative performance measurement rather than quantitative measures. The use of quantitative measures, such as attendance, numbers of research publications, numbers of learning materials produced, numbers of activities being used to determine ones’ pay, is not suitable to be applied in the ODL context.

The issue of attendance policy was raised by participants during interviews. One of the key issues in OUI is a poorly managed administration process, even though the way to develop and enhance administration process was viewed differently across the employee groups. The majority of academics argue that attempts to develop the administrative system are counterproductive. Their working hours are often whittled away by administrative functions such as meetings and working with teams to develop the administrative system. While after business hours are often consumed by academic functions including class preparation, face-to-face
tutorials and providing support services for students. Consequently, academics have little time to develop their own knowledge and to carry out effective research and generate publications as expected. From the administrative staff viewpoint, administration processes are developed through daily routines. The majority of administration staff believe that a supportive working environment helps positive personal development. The major elements present in individual administrative staff are technical skills and capabilities developed through the work they are undertaking. Relationships and social networks are also very helpful in the completion of technical work tasks and career enhancement. This social value is useful especially in reducing the level of negative attitudes. These type of values cannot be developed without an effective supportive working environment.

A further key issue for maintaining HC in OUI is the health and wellbeing of individuals (Ahonen, 2000) in which the working environment linked to human capital (Hussi, 2003). In OUI, employees are encouraged to be involved in routines for doing exercises together with other employees before the office daily routines start. OUI provides employees with sports facilities such as jogging tracks, tennis courts, fitness facilities, and a health clinic as well as regular medical check-ups for all employees to maintain employees’ wellbeing. This type of supportive working environment has proved to be useful in providing direct benefits for staff.

To conclude, HC in OUI is not only academics but also specialist and administration staff because of the nature of OUI as education provider rather than as a knowledge resource. The components of HC embedded in practice include personal value (multimedia authoring and other ODL capabilities), social value (teamwork and leadership), and organisational value (organisational culture). OUI needs HC in the form of economic rents to develop and sustain a competitive advantage, thus, HC must be viewed from the unit-level or organisational-level. This can be achieved by acquiring, developing and maintaining HC in OUI’s internal core processes. This condition enables HC to create the value-adding outcomes for OUI stakeholders that are discussed in the next section.
5.3 CONTRIBUTION OF HC TO CREATE VALUE

This section focuses on the second research question (RQ2) “How HC creates value for OUI vis-a-vis the contribution of HC to the strategic direction and the management of OUI?”. In order to answer RQ2, the research question was synthesised into sub-questions following the major theme of value creation of HC. This section attempts to answer the questions of how actors (HC) develop value for organisation (and how they draw on HC to do this). The task is to understand how HC elements (resulted from RQ1) are mobilised towards transforming organisational behaviour. The research question was synthesised into three sub-questions of “What are the strategies and plans that OUI has adopted to achieve the objectives and develop/strengthen its HC?” “What sort of control system was applied in achieving these targets?” and “What is the role of HC in influencing the leadership and organisational culture in OUI?”. This thesis identifies a range of factors that contribute to the success (and failure) of OUI as one of the leading ODL universities in Asia. These factors are clustered into ‘work environment’ whereby the value creation process of HC is engaged. This includes the ODL system, the strategy and control system to control OUI’s resources, and the role of HC in the leadership and organisational culture of OUI. The answers for these questions came from the Resource-based theory (Barney, 1991; Barney and Clarks, 2007), the theory of levers of control (Simons, 1999), and the theory of leadership and organisational culture (Schein, 2010).

5.3.1. HC in Open and Distance Learning System

This section focuses on the ODL system to answer the sub-questions “What are the strategies and plans that OUI has adopted to achieve the objectives and develop/strengthen its HC?”. The key theme of the ODL system emerged from the interviews in respond to questions about strategies and the plan that OUI has adopted and the internal core processes involved in ODL to achieve the objectives in the ODL context. The interview results indicated that three sub-key elements emerged in the ODL system: Flexibility in learning, access to education, online and distance learning, and competitive business environment. These elements are
influenced by factors related to work environment such as the sociocultural context of ODL and the learning support system of OUI, as discussed below.

5.3.1.1. Sociocultural context in ODL

This section discusses how sociocultural context in ODL influence OUI and its HC to provide flexibility in learning, access to education, online and distance learning system that support students to have flexibility and access as well as the competitive business environment in which OUI operates.

Distance education is borderless (Latchem, 2005), although differences in sociocultural contexts, values, and expectations of diverse educational systems and learners may prove to be great challenges (Hanna, 2000). Therefore, educators in ODL need to be sensitive to social, cultural, and educational differences, cultural assumptions embedded in courses, and the imposition of cultural values and practices (Latchem, 2005) because learning is in essence a social activity. Several aspects of the sociocultural context impact on distance education (Gunawardena & LaPointe, 2008). These elements include diverse educational expectations, learning styles, the sociocultural environment including social presence, help-seeking behaviours and perception of time, differences in communication styles, issues related to language differences, and interpretations of symbols used in web design. These sociocultural factors influence ODL in OUI because of the recognition that technology connects us but is not culture neutral.

Moreover, demographics are ever changing, and globalisation makes us interdependent and education attempts to addresses global economic needs. While new information and communication technology has its advantages and attractiveness, the problems of education are always more complex than the technology platform alone can resolve. Demographics change as technology connects people. Cultural migration influences the formation of new communities as people create ‘third cultures’ (Gunawardena & LaPointe, 2008 in Evans et al., 2008) and globalisation should not hinder individuals and groups that build on their cultural traditions and unique strengths (Mintzberg, 2003). Additionally, educational systems in developing countries such as Indonesia are judged by their contributions to the development of quality human capital and national
development goals (Panda, 2005 in Evans et al., 2008) as set out in OUI’s missions.

Learning in OUI is a social activity influenced by sociocultural context of Indonesia and ‘third cultures’ even when it is conducted in an online and distance learning mode. ODL system in OUI eliminates the barriers faced by those who already have jobs and/or family commitments. The ODL system enables people to join online tutorials which can be accessed at all times from home or their offices. Students can also join face-to-face tutorials which are held every weekend during two months each semester. OUI also has facilitated tutors and students with online-based learning such as online tutorials and online forum discussions as well as online-based learning materials that enable the tutors-students having social interactions through ICT (information, communication, and technology) networks. Consequently, social interactions between tutors-students, and amongst students affect motivation, expectations, attitudes, communication, tutoring, and learning in the distance education context (Mason, 1998; McLoughlin, 1999; Pincas, 2001). However, tutors and learners in Indonesia are different from western countries. Tutors and learners believe each learner is a distinct individual and able to control his/her behaviour and in personally responsible for behavioural outcomes (Nisbett, 2003). While western students are individually oriented, Indonesian students believe success is a group goal and attaining group goals is tied to maintaining harmonious social relations (Gunawardena & LaPointe, 2008 in Evans et al., 2008, p. 56). These different expectations have implications for the learning environment and learner support systems in OUI. In the next section, the learning environment and learning support systems in OUI is discussed.

5.3.1.2. Learning support systems

Learning support systems is one of OUI strategies to achieve its objectives and develop its HC. Learning is the process of acquiring knowledge through experience which leads to a change in behaviour (Buchanan & Huczynski, 1985). In learning, a student does something that reflects on his/her specific experience, makes some sense of experience by drawing some general conclusions, and plans
to do things differently in the future (Kolb, 2005). Thus, the process of acquiring knowledge by the students is critical to determine the final outcomes.

Perceptions about online learning experiences in OUI are revealed by the students’ responses (OUI Online Forum). Most students considered OUI Online to be very suitable because many OUI students are already in employment and have regular access to a computer at work. This helps their independent learning process. Some students were dissatisfied with some aspects such as technical access problems and content. The technical problems, most commonly faced by the students were related to the low speed of internet connection to the OUI website and connection stability. In addition, there were problems with system reliability and high frequency of ‘error’ when opening and navigating within the university website and the complexity of some applications. Most of the problems are related to the national ICT infrastructure, OUI services and students basic skills in dealing with web-based applications.

The other sources of student’ dissatisfaction are related to OUI’s internal systems and services. For example, online responses related to poor website design, lack of information on how to navigate the different applications, lack of standardisation in the format of materials presented in online tutorials, and the limited number of courses supplemented by online services. Among these, tutor responsiveness seemed to be the most serious aspect noticed by students. The problem was notable because tutors’ responsiveness is a critical key to the promptness and effectiveness of OUI. Online in facilitating the student independent learning processes. This was disappointing for OUI because all tutors participated in training on e-tutoring (technical and communication skill or online or web-based tutoring), and were provided with appropriate technical as well as academic guidelines for e-tutoring. In conclusion, it seems that some students had a range of difficult experiences with OUI Online due to either external or internal factors including personal limitations such as limited available time, cost, access and low quality of internet connection at the access point. The learning support systems needs to resolve these sort of experiences.
OUI has provided learning support systems to support the students learning such as registration, online learning materials, tutorials, consultations for students, and assessment. The registrations are open throughout the semester so that the students have the flexibility to study. Online learning materials are developed by the academics both from internal and external OUI to support the tutorials. The online tutorials are designed as asynchronous communication processes to maintain flexibility. While the consultation processes are made during the tutorials both online and face to face.

The tutorials themselves were provided through OUI’s website (www.ut.ac.id) from where students obtain access by selecting the name of the course. Online tutorials are offered across 160 courses (as of 2002). Each course is facilitated by a tutor or a team of tutors. The tutors are required to prepare and provide at least eight examples of initiation materials including three assignments to trigger discussion and enhance the learning process. The online tutorials are open throughout the semester so that students can post questions, comments, and responses to the tutor’s and others’ questions at any time. To ensure prompt responses, tutors are requested to check their respective tutorial accounts every day, and they are supposed to respond quickly to all posted questions. The initiation materials are designed by tutors to include the elaboration of concepts, enrichment activities, summaries of certain sections of course materials and additional questions. Students are informed about their participation rates and assignments scores given for the online tutorials which contribute to their final grade up to a maximum of 10%. Whilst final examinations contribute 60% and face-to-face learning (including participation rates in face-to-face tutorials and assignments in face-to-face tutorials) contributes 30% to the students’ final grade (OUI Online Tutorial Guideline). Students are expected to participate both in the online tutorials and face to face tutorials and are advised that their participation will enhance their independent learning process, which in turn, enhances their overall learning performance.
5.3.1.3 ODL system and OUI’s competitive advantage

The ODL system offers flexibility and the flexibility of the system that OUI offers creates value, adding to attain OUI’s competitive advantage. An organisation can attain a sustained competitive advantage when it possesses and controls valuable, rare, and inimitable assets and has a system in place that is equipped to handle these assets effectively. OUI’s most valuable asset is the tacit knowledge and the flexibility of the system to deliver open and distance education programs within the context of Indonesian higher education. OUI has established a sound and effective system to serve the heterogeneous target students in all parts of the country through the use of knowledgeable and skilful human resources.

Distance education includes a number of elements (Keegan, 1980) and one of the elements which has been developed in OUI is the use of technical media. The use of technology based online distance learning in OUI aims to unite tutors and students, to support delivery of the educational content and to support the provision of two-way communication between tutor and learner. ODL system in OUI has resulted advantages for students. Students not only have opportunity to study in flexible way but also to gain knowledge in technology based learning such as the use of internet tools and applications for learning. The characteristics of flexible learning are identified as flexible entry or exit, learner control over content, sequence, pace of learning and progress or the potential co-location of tutor and learner (Evans et al., 2008, p.199) which is found in OUI.

The characteristics of flexible learning in OUI’s system provides for substantial student control over access to content, sequence, and progression rate. OUI’s students can choose learning materials to supplement the compulsory modules. They can also choose the programs that suit their needs and pace of learning, whether to take full-time study in six to eight semesters or a longer part-time period. Thus, flexible learning exists in ODL where certain controls are introduced (Ellington, 1997; Evans & Smith, 1999). OUI attempts to maintain the level of flexibility by minimising barriers to entry to and exit based on the philosophy of openness. The openness and the flexibility of the system allows OUI to generate a sustained competitive advantage.
Furthermore, the body of tacit knowledge is OUI’s resource that has been accumulated throughout 30 years of practice and is being enriched every day. This knowledge is preserved systematically and becomes the basis for OUI’s internal quality assurance system. All best practices are well documented and standardised translated officially into policies and used as working guidelines. Improvements are continuously being sought and generated through continuous human resources development efforts. Development in human capital is carried out through both further formal education as well as practical training according to identified needs. Human capital is managed through a clear and transparent promotion stream along with a transparent assessment, reward and punishment system. The commitment of OUI management to the use of the internet for improving OUI’s system has improved OUI’s image to become a more sophisticated ODL university. This has been validated through the candidate’s personal experience during her work as an active academic in OUI for ten years. OUI has been making significance changes in branding from a ‘conventional’ open and distance university providing ‘distance’ learning through TV and radio to a more ‘intensive’ technology based ODL university providing ‘online learning. These resources are rare, valuable, and imperfectly inimitable and thus a source of competitive advantage. How OUI controls the resources and how the resources and capabilities have been utilised towards OUI’s purposes is discussed in the next section.

5.3.2. HC in OUI’s Strategy and Control System

This section focuses on OUI’s strategy and control system to answer the sub-question “what sort of control system is applied in achieving the targets?” The strategy and control system theme is based on key assumptions about the organisation, strategy and human motivation. First, control systems are important levers in managing the inherent tension between opportunity-seeking behaviour and limited attention. Thus, balancing this tension is essential to maximising return-on-management and creating outputs of value. Second, there is an interaction between intended strategy processes and emergent strategy processes. Third, management control systems are capable of reconciling tensions between individual self-interest and innate desires to contribute. The levers of control
(Simon, 1995) including belief systems, boundary systems, diagnostic control systems and interactive control systems as applied in OUI are used to manage this tension.

The traditional top-down view of strategy implies that strategic control essentially means ensuring that the behaviour of people is consistent with a predetermined strategy (Merchant, 1985). Both the intended and unintentional strategies preset by managers incrementally should be controlled (Mintzberg, 1978). Four levers of control (Simons, 1994, 2013) belief systems, boundary systems, diagnostic control systems and interactive control systems addressed definitions of strategy and the intended and emergent aspects of strategy development. A core idea in this strategic control framework is that it balances needs for innovation and constraints, which suits OUI’s strategic direction (vision and mission).

5.3.2.1 Belief system and boundary system

Belief systems, such as communication and leadership style, are the explicit set of organisational definitions that senior managers communicate formally and reinforce systematically to provide core values, purpose, and direction for the organisation (Simons, 1995, p.34). Belief system in OUI communicate core values to inspire and motivate employees including external academics who contribute to the university to search, explore, create and expend effort engaging in appropriate actions. Thus, belief systems in OUI are used to enhance core values related to the university’s strategy (vision-mission) and to inspire a search for new opportunity in line with these values. OUI focuses on its mission; making education open for all, limited only by the rules and regulation of the national school system. OUI’s status as a public university, funded primarily by government, is blended with its business orientation as a new public service body in the higher education industry. OUI can manage the funds raised from student fees and state funding and is accountable for the use of these funds. However, there needs to be restraints placed on employees to stop them from engaging in high-risk behaviours. The boundary system is needed to moderation ‘negative’ behaviours (Simon, 1995) that could shape an organisational culture that leads to ineffectiveness (Barney and Clark, 2007, p 85).
Boundary systems, such as the personnel administration system, can act in opposition to a belief system. A boundary system delineates the acceptable domain of strategic activity of organizational participants (Simons, 1995, p. 39). The boundary systems communicate the actions that an employee should avoid, for example, through the implementation of personnel regulations in OUI and administrative systems. Boundary systems reduce risks by setting limits on strategically undesirable behaviors. OUI has an administrative system to control such behaviors. For example, personnel administrative system requires that working hours follow the government regulation for civil servants who provide services to the public. This regulation also applies in a university context in which academic freedom is necessary and in the ODL context the staff work beyond normal business hours. This regulation causes some concern in universities, in particular for academics who are required to do teaching, conduct research, and service communities as part of the academic function. Working the required 42 hours per week on-campus has raised concerns about unfairness amongst academics because, in practice, they need to work after hours and during the weekend to complete the range of academic tasks during a semester.

The boundary and belief systems are similar in that both are intended to motivate employees to search for new opportunities. However, the boundary system does so in a negative way through the constraint of behavior while the belief system does so in a positive way through inspiration (Simons, 1995). OUI communicate beliefs through a mission and vision statement and boundaries through a code of conduct. While OUI’s critical success factors are embedded in its diagnostic system and communicated to its employees.

5.3.2.2. Diagnostic control system and interactive control system

The diagnostic system, which includes tutorials and examinations, monitoring and evaluation, quality assurance, internal control system, BAN-PT accreditation, and ICDE (International Council of Distance Education) review, is intended to motivate employees to perform and align their behavior with organizational objectives. The system reports on critical success factors which allow managers to focus their attention on the underlying organizational drivers that must be
monitored for the organisation to realise its intended strategy. The diagnostic control system also enables managers to benchmark against targets. Similar to the boundary system, the diagnostic system acts as a constraint on employee behaviour (Simons, 2000). Diagnostic control systems in OUI are used to communicate and monitor critical success factors. OUI has adopted a bottom-up budget system in which budget are proposed by faculties, units and centres based on intended programs during the year ahead. However, the amount proposed is limited to the amount set by management based on last year’s performance and through key committee meetings. Programs proposed and created by the faculties, units and centres are based on OUI strategic planning and evaluated regularly. One basic premise of diagnostic controls is that the outputs of a process are measurable (Simons, 1995), program budgets as set out in OUI are able to fulfil the category of diagnostic control systems.

OUI’s administration systems are internally controlled by internal audit (SPI= internal audit task force) regularly before external audit from a government body (BAN-PT). OUI must comply with the regulations of Open Universities managing the ODL functions. OUI is regularly reviewed internally by the Quality Assurance Center before reviews by external controllers from international accredited bodies (such as ICDE and AAOU/ Association of Asian Open Universities).

While boundary systems and diagnostic systems are used to ascertain that people behave according to pre-established rules and plans, belief systems and interactive control systems are used to encourage innovative behaviour (Simons, 1995). As part of an interactive control system, for example, university-level meeting led by Rector or Vice Rector and team/unit-level meeting lead by Dean or Manager are used to discuss strategic uncertainties. This sort of meetings aim to construct different strategic responses in a changing environment.

The relationship between strategic direction and different levers of control systems is dynamic and often reciprocal. Budgets proposed by faculties, units and centres, as well as the use of a performance measurement system to measure individual and unit performance can be used diagnostically to signal success in the most critical factors of the intended strategy (Simons, 1995). Critical success
factors may relate to strategic boundaries and beliefs within the organisation and these can serve as a basis for performance appraisals, training programs and incentive system needs. This performance and rewards system then might strengthen or weaken the establishment of beliefs and strategic boundaries when measures are set in line or contradict with the intended strategic direction. When performance and rewards systems are used interactively they are likely to have similar reciprocal relationships with other levers of control. OUI’s administrative systems are used interactively to develop and maintain employees through training programs, incentive system, and performance measurement systems can then assist in identifying emerging strategies and can lead to the reformation of the existing modes of control (Kaplan & Norton, 2001). At the same time as strategic direction is altered, the existence of prevailing beliefs and boundaries are also questioned. The interactive debate that stems from OUI’s administrative system reports can help reshape the strategic direction, and hence, also induce a change in all the four levers of strategic control.

5.3.3 Human Capital In OUI's Leadership and Organisation Culture

This section analyses the leadership and organisation culture theme based on the sub-question of what is the role of HC in influencing the leadership and organisational culture in OUI?. The key theme is analysed based on the assumption that leadership and organisational culture has a causal relationship (Schein, 2010; Champy and Cohen, 1995; Bass and Avolio, 1993). Leadership helps shape the organisational culture and the culture that exists also determines leadership criteria (Schein, 2010) as the results of changes in the organisation (Green, Holder & Cameron, 2015). Hence, the leadership and organisational culture potentially impact organisation performance (Ogbonna and Harris, 2000). To analyse the leadership and organisational culture in OUI, leadership and organisation culture theory of level of culture (Schein,2010) and leadership and organisation culture (Flamholtz & Randle, 2012) are used.

5.3.3.1. Leadership in OUI

The OUI case study found that the role of a leader is central to shape the organisational culture, such as in the process of decision making and the election
of management officials. Some characteristics of the leaders were identified to enable people and culture to adapt and to utilise the authority and power to achieve outcomes. Leaders play a vital role in the quest to attain a competitive advantage by determining the extent of the emphasis on strategic, structural and cultural aspects of the organisation.

In many state bodies with bureaucratic system, the top-down style is often used by a leader who wants as much control over the decision-making process as possible (Sabatier, 1986). As a state university, there are times when OUI leaders use a top-down style to provide the best choice for success in a given situation. The top-down approach can be a handy tool for directing employees successfully when they might not have the competence or confidence to make decisions themselves. A commanding and authoritative leader can seemingly settle disputes and resolve issues quickly. Meanwhile, the bottom-up style allows managers to communicate goals and value, for example, through milestone planning. In the unit-level such as faculties and centers, managers use bottom-up style to make plannings. Academics and staff are encouraged to develop personal to-do lists with the steps necessary to reach the milestones developed on their own.

Based on the key dimensions of leadership, the faculty leaders and unit managers as the leaders of change need to balance their efforts across all three dimensions (Green et al., 2005). OUI leaders are usually focusing on the outcomes and tangible results to be developed and delivered. For example, enhanced learning delivery and improved quality of learning materials. However, to sustain competitive advantage, OUI leaders need to focus more on people in order to ensure improved service for students and increased performance of the graduates. Although outcomes are critical, OUI leaders must also pay attention to underlying emotions enabling people and culture to adapt, allowing both success and failure to generate future opportunity. OUI leaders must also be able to mobilise influence, authority and power through awareness, connection and transformation to sustain change and achieve continued success in the long term.

Leaders are at the centre and shape, direct and juggle the interests, the emotions and the outcomes. One dimension may seem central at any time. However,
leadership is about ensuring that other dimensions are also kept in view. A leader has a vital role in shaping the future, as one participant stated, “the role of the leader is central. He or she must be visionary” [A3]. Visionary leaders are leaders who have the capabilities to think about the future and lead his/her subordinates to act beyond the current state of affairs.

As a state university, OUI needs to consider strategies such as moving from being an inwardly-focused bureaucratic organisation to a flatter and more responsive customer-oriented organisation. Such a strategy requires a behavioural approach to change. The behavioural approach to change focuses on changing the behaviour of staff and leaders using reward and punishment to achieve intended results. If the intended results are not being achieved, an analysis of the individual’s behaviour will lead to an understanding of what is contributing to the success and what is contributing to non-achievement. To elicit the preferred behaviour, individuals must be encouraged to behave that way, and discouraged from behaving any other way.

There are three ways to use the behavioural approach to change, by using financial reinforcement, non-financial reinforcement, and social reinforcement. Traditionally financial reinforcement is the most explicit of the reinforcement mechanisms used, particularly in sales-oriented cultures. To be effective, financial reinforcement needs to be clearly, closely, and visibly linked to the behaviours and performance that the OUI requires. In OUI, financial reinforcement is also used to improve the performance of academics, specialists and administration staff. For example, a reward for academics for writing in a specific journal is provided as a reinforcement which is closely linked to motivating academics to produce more publications. A more sophisticated system might link the reward to the quality of articles being published in specific journals. A university-wide performance bonus unrelated to an individual contribution to that performance would be an example of poorly linked reinforcement.

Non-financial reinforcement tends to take the form of feedback given to an individual about performance on specific tasks. The more specific the feedback, the more effective the reinforcement. The feedback can take both positive or
negative forms. The feedback could take the form of a coaching conversation where specific effective behaviours are encouraged, and specific ineffective behaviours are discouraged, and alternatives generated. In OUI, non-financial reinforcement applies to both academics and administrative function. For example, ensuring sanctions for absenteeism that affects individuals performance appraisals as well as providing the non-monetary rewards for both individuals and units for their achievements. While sanctions are assessed quarterly, the rewards are assessed annually based on the competition amongst units and individuals.

Social reinforcement takes the form of interpersonal actions: that is, communications of either a positive or negative nature. Praise, compliments, general recognition, perhaps lesser or greater attention can all act as positive reinforcement for particular behaviours and outcomes. Similarly, social reinforcement could also take the form of naming and shaming for ineffective performance. Social reinforcement is not only useful for performance issues but can be extremely useful when an organisational culture change is under way. Group approval or disapproval can be a determining factor in defining what behaviours are acceptable or unacceptable within the culture. In OUI, social reinforcement is usually delivered through the speech of OUI leaders and messages from management officials regarding certain issues, for example in responding to the media and complaints from students.

OUI is structurally hierarchical, however, OUI is also socially egalitarian. This influence the leadership coaching in OUI which is identified as structural leadership coaching and individual leadership coaching. In the academic environment, leadership comes from the bottom, and has been part of OUI’s work culture. Idea as for a new program of study often comes from the lowest level. The discipline area then proposes the programs, undertakes a feasibility study and presents it to the faculty. The faculties have the authority to make academic judgments about whether new proposals continue which are then presented at the university level. When a proposal reaches the university level, there are two factors to be considered by management: whether it is academically and physically important and whether it is feasible and sustainable.
In individual leadership coaching, OUI offers wide opportunities for academics to develop their personal capacities and capabilities. OUI has been providing sufficient budgets to facilitate academics in research, professional training and incentives for publication. By developing individual academic leadership, most of academics become experts in their fields and take opportunities to be academic leaders in their discipline.

5.3.3.2 Leadership and OUI’s organisational culture

The principles to develop and carry out the higher education missions are based on values to be understood, believed and implemented by all staff. The values are quality, accessibility, relevance, integrity and accountability. Quality is the academic product and service to fulfil stakeholders’ needs. Accessibility is the program offered which is accessed by the public without significant barriers. On the other hand, relevance is programs offered that have been developed to fulfil contextual needs. Integrity means that all staff must fulfill their duties with ethics and professionalism to a high standard. Meanwhile, accountability means the program must be carried out effectively and efficiently by having the program to be regularly monitored and evaluated so that it is transparent and accountable.

OUI’s main campus is a complex of many buildings located in hectares of land in South of Jakarta. The physical layout and patterns of interaction make it easy to decipher who has what rank. The business clothing worn by most staff and managers reinforces this sense of economy and egalitarianism. As I began to attend the regular staff meetings, I found a low level of interpersonal confrontation, argumentativeness, and conflict. Most staff acted passively in meetings whilst only few staff dominate the conversations. My own reactions to the faculty and these meetings also have to be considered as artifacts to be documented. I was surprised to observe so much behavior that seemed dysfunctional to me, such as having long personal conversations with peers during work hours or going out for lunch beyond the time allocated.

Many of these espoused beliefs and values were embodied slogans that OUI wrote from time to time and have been circulated throughout the OUI’s website. For example, a high value was placed on group responsibility instead of personal
responsibility. If someone has an idea then a proposal must be made in the name of the group of discipline of study instead of ‘he who proposes, does’. Employees at all levels are responsible for thinking about the organisation’s state of play and the future. It was a rule that you should not do things without getting permission from the top, the line group the staff belongs to or to the discipline of study the academics belong to. Whilst permission from others who had to implement the decision (such as head of units or centers), who had to provide needed services or who would be influenced by it, is not necessary. In the faculty, academics had to be team players, instead of individualistic. Most likely the ideas come from the top, thus, the individual or groups had only to present the programs instead of convince others of the validity of his/her idea and be able to defend it against every conceivable argument. The high levels of confrontation and fighting that I observed in groups only happen when the elections were held at the faculty level or the university level.

In asking people about their jobs, I discovered another value that was different between bureaucratic systems and for profit organisations. For administrative staff, each person already knew their own duties without figuring out what the essence of his/her job is or asking the manager what was expected from the jobs. For academics, each person signed for a one year contract. The role of head of department/ discipline leaders is to set broad targets, but subordinates are expected to take initiative in adding individual targets, such as conducting research and writing publications or presenting in the conferences/ seminars. This value requires a lot of discussion and negotiation which are usually held in the staff meetings, despite complaints about time waisting in meetings. People feel must defend this work approach as this has been embedded in over the longer term.

The academics are more individualistic and pragmatic in their orientation. They have developed a problem-solving and decision making system. Based on my own personal experience and observations during my work in OUI, the system relies on several assumptions; the individual is ultimately the source of ideas; individuals are capable of taking responsibility and doing the the right thing; and individuals are not confidence /smart enough to evaluate his/her idea and must get
others to agree before taking actions; the group is dominant and; the basic work of
the university is team-based work and such work is usually ‘fun’ for most people
despite difficulties in reaching concensus. Without understanding these, one
cannot decipher the observed behavior, particularly the apparent incongruity
between individualism and commitment to group work and concensus. These
assumptions help explain how there could be simultaneously intense conflict with
authority figures, insubordination, and intense loyalty to the organisation and
personal affection across hierarchical boundaries. Based on these assumptions, I
was seeing the group’s effectiveness in terms of practicing The interrupting, the
emotional conflicts, and the other behavior still continue, but the group became
more effective in its handling of information and in reaching consensus. As I learn
more about OUI, these assumptions were reflected in some of the group’s beliefs
and values pertaining to students.

The connection between leadership and organisational culture is clear as the role
of the leader in shaping the organisation culture is robust and important (Schein,
2010). However, when the staff were asked about what is the organisational
culture in OUI, the majority of participants claimed they do not know, as one
participant said, “OUI’s organisation culture is our previous rector..(without
mentioning his/her name)” [A10]. This explains that leadership is originally the
source of the beliefs and values that get a group moving in dealing with internal
and external problems. If a leaders’ actions work and continue to work, what once
were only the leader’s assumptions gradually come to be shared assumptions
(Schein, 2010).

The organisational culture in OUI consists of three levels in which can be
identified from the artefacts, espoused values and beliefs, and basic assumptions
(Schein, 2010). These three elements are related and have a causal relationship.
OUI’s organisational structures are influenced by the government institution, the
Ministry of Research and Higher Education. As a state university, OUI must
comply with the regulations of civil servants. Thus, management practices,
teamwork practices, full facilities, communications, habits, ceremonies, physical
arrangements, myths, norms, and traditions in OUI are influenced by its state
university status and these influence OUI’s strategic direction. While artefacts are
an observable and contain an outward view, values and assumptions are invisible
and inward looking. The artefacts such as organisational structures influence the
espoused values such as philosophies, strategies and goals. OUI’s strategic
direction, with a vision to be one of the best ODL universities, and its mission to
help provide access to higher education to all, life-long learning philosophy, and
other organisational objectives and ideologies helps to influence OUI’s
organisational structures and processes. OUI’s strategic direction then play a
significant role in shaping the basic assumptions of staff in respect to have beliefs,
integrity, a teamwork spirit, positive mind-set, knowledge sharing, and
commitments towards achieving OUI’s organisational goals and objectives.

**Figure 8. OUI’s organisation culture based on Schein (2010)**

Source: Schein (2010) and modified by the author

According to Schein’s organisational leadership framework, founders and leaders
are critical in articulating and developing culture. For example, the founder (the
first rector) began his tenure by advocating for the ODL system in the higher
education sector in Indonesia and enabling people to adopt an independent
learning culture. The developer (the second rector) focused on the development of
OUI’s infrastructure and allowed people to make connections to the world’s
distance education societies. The innovator (the third rector) infused the idea of
open sources in learning with the extensive use of technology in learning.

Employees look to leaders to communicate purpose, values and assumptions:
leaders reward the type of behaviours they would like to see repeated. Under these
circumstances, the behavioural approach to culture change applies. Financial
reinforcement, non-financial reinforcement and social reinforcement help direct the employees’ behaviour towards such outcomes. Based on the OUI findings (see section 4.3.3.2. Performance and rewards system), most of the staff are satisfied with the financial reinforcement and social reinforcement given. However, most academics are dissatisfied about such non-financial reinforcement as the fingerprint system for academics which is considered counter-productive with the academic mission (see section 4.3.3.3. The issue of working conditions: The attendance policy for academics). Most academics must work above and beyond the required forty-two hours per week, and must follow the regulation the government required for the civil servants employees and affect financial rewards. This unsatisfactory working environment may reduce motivation to develop their capacities and potentially indirectly impact regularly the performance of university in the future.

5.3.3.3 OUI’s organisational culture and competitive advantage

To be the source of competitive advantage, organisational resources must be valuable, rare, and imperfectly imitable (Barney, 1991; Barney & Clark, 2007). Organisational culture is the third element that forms human capital and is considered to be an ultimate asset for an organisation (Flamholtz and Randle, 2012). At least some organisational cultures have these characteristics and thus can be a source of competitive advantage. However, not all organisations have cultures with these three attributes (Martin et al., 1983; Tichy, 1983). Hence, organisational culture is not necessarily a source of competitive advantage for all organisations.

For OUI, such cultural traits, for example good relationships with students and university stakeholders, can result in positive economic gains. Good relationships with customers, innovativeness, and other cultural factors can result in timely market information, joint product development activities and intense brand loyalties (Porter, 1980; Waterman, 1982). OUI works hard to maintain harmonious relationships with its students through the use of face-to-face consultations services for students conducted by staff in the learning centres and online discussion forums conducted by the online tutors. The staff have
commitments and personal approaches that help the students to stay engaged with their studies leading to positive feelings about studying at OUI. Also, innovativeness in the ODL system ensures that OUI is able to continue to provide access and flexibility for students to engage in lifelong learning. Innovation and technology shape the cultural traits as the system results in IT skills that are better than those studying in conventional universities. These benefits result in a high demand and increases the numbers of prospective students which has a direct positive financial impact on OUI.

Although the cultures of certain organisations enable them to engage in activities with positive economic impact this does not imply that all organisational cultures have such effects (Barney and Clark, 2007). Organisational culture can also reduce an organisation’s effectiveness and prevent the organisation from understanding all its competitive/operational options and also prevent it from choosing options consistent with competitive/operational necessities (Porter, 1980; Tichy, 1983). Conflict between academic freedom and requirements to obey the rules of the civil service is sometimes a dilemma for academics. While academic freedom applies in universities in most western countries, academics in Indonesia are constrained by societal expectations to obey the rules as civil servants such as attendance policy for academics (see section 4.3.3.3). Such cultural traits have limited academics in building their capacities and competing in national and international arenas.
Table 10. Case Study Analysis of HC and Value Adding: Interrelation between Research and Interview Questions, Findings and Analysis of Case Study

<table>
<thead>
<tr>
<th>Research Questions &amp; Sub Research Questions</th>
<th>Interview Questions</th>
<th>Case Study Findings (Chapter 4)</th>
<th>Case Study Analysis (Chapter 5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>What are the elements of HC embedded in HC practice in OUI?</td>
<td>1. Who is the human capital in OUI? 2. What are the most important capabilities of ‘you’ within your personal experience that have been developed in OUI?</td>
<td>1. HC in OUI is considered to be the academics, specialists, academic support and external tutors. 2. The individual capabilities of academics as knowledge resource have not yet fully developed compared to other campus-based universities. Only capabilities that support ODL system have developed including multimedia capabilities, consultation service capabilities, and administrative capabilities.</td>
<td>The conceptualisation of HC (p.36) analyses HC elements based on the structure of HC, the level of HC and the function of HC (Key theme 1): 1) Structure of HC (Ployhart et al., 2014; Ployhart &amp; Moliterno, 2012) is synthesised into: a) the people: HC is those who posses the ability to create value (Mayo, 2012). Unlike conventional universities, HC in OUI is not only academics and tutors as primary HC but also specialists and supporting academic staff due to the nature of ODL as an educational provider rather than as a knowledge resource. b) the components of HC (Mayo, 2012; Famholtz &amp; Randle, 2012) Unlike conventional universities, the components of HC embedded in HC in OUI consist of three elements: 1) Individual capabilities (e.g. multimedia authoring, consultation service capabilities, administrative capabilities) that create ‘Personal Value’. 2) Other social characteristics (e.g. teamwork, leadership, social relations) that create ‘Social Value’. 3) Organisational culture that creates ‘Organisational Value’</td>
</tr>
<tr>
<td>Research Questions &amp; Sub Research Questions</td>
<td>Interview Questions</td>
<td>Case Study Findings (Chapter 4)</td>
<td>Case Study Analysis (Chapter 5)</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>---------------------</td>
<td>--------------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>3) What HC function is embedded in practice and how does it work?</td>
<td>4. What are factors promoting and hindering its process?</td>
<td>4. The factors promote and hinder the individual capabilities to perform at the unit-level performance is support from management.</td>
<td>level capabilities to create value and achieve unit or organisational performance. Whilst for academic supporting staff, they must work collectively to generate unit-level capabilities in order to create value and attain organisational performance.</td>
</tr>
<tr>
<td></td>
<td>5. Do you think that the current administrative system (e.g. recruitment system, training and development system and performance and reward system) have been embedded and worked in practice?</td>
<td>5. As a public university, OUI is bound by regulations from government (i.e. The Ministry of Research and Technology and The Ministry of Empowerment of State Aparature). The implementation of the systems in practice, is followed by OUI’s policies. Even though, in some cases, the government regulations are not aligned with the OUI’s internal core processes.</td>
<td>3) The function/ internal core process involved in HC practice:</td>
</tr>
<tr>
<td></td>
<td>6. What are the factors promoting and hindering its implementation?</td>
<td>6. There are a number of factors promoting and hindering the implementation of the administration system. One of the factor is management policy. In the recruitment system and development system, in many cases, management already</td>
<td>a) Recruitment system: according to government regulations, a bottom-up process</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>b) Training and Development system: according to government regulations and university’s needs, a top-to-bottom process</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>c) Performance and Rewards systems are conducted in two ways: according to government regulations (to determine basic salary and assess performance as government officer) is conducted once a year and according to OUI’s regulations (to assess performance as management/ academics/supporting academic staff/ others and incentives/ remuneration and determine their incentives/ remuneration) is conducted quarterly.</td>
</tr>
</tbody>
</table>
have a preference as to whom the vacant post would be offered or to whom the study opportunities would be assigned. In maintaining HC, attendance policy for academic and remuneration system are considered to be contra-productive. The other factor is OUI’s organisation culture and country culture in implementing the system such as tutorials and examination system.

How does HC create value for OUI regarding the contribution of HC to the strategic direction and the management of OUI?

1) What are the strategies and plans that OUI has adopted to achieve the objectives and develop/strengthen its HC?

1) Does OUI’s HC policy align with its strategic direction?

1. To achieve its objective, OUI must ensuring its HC policies align with its strategic direction. In some cases, I found that some policies must be re-evaluated (e.g. attendance policy for academic).

2) What factors influence design/functioning of HC policies and practice?

2. The factors involved in functioning HC practice (the administrative system related to control OUI’s resources) and the role of HC in the leadership and organisational culture of OUI.

1. HC in the ODL system (key theme 2) was analysed utilising resources based theory (Evans et al., 2008; Barney & Clark, 2007; Barney, 1991). The interview results indicated that 4 sub-key elements emerged in ODL system:

   1) Flexibility in learning,
   2) Access to education,
   3) Online and distance learning system (accredited degrees, learning materials, tutorials, registration and examinations, consultation services for students), and
<table>
<thead>
<tr>
<th>Research Questions &amp; Sub Research Questions</th>
<th>Interview Questions</th>
<th>Case Study Findings (Chapter 4)</th>
<th>Case Study Analysis (Chapter 5)</th>
</tr>
</thead>
</table>
| 2) What sort of control system was applied in achieving these targets? | 3) How does the HC help OUI in its internal core process? | 3. At the individual level, people bring norms and values into OUI. In the unit-level and organisational level, these core values (discipline and work commitment) deliver information and become part of OUI’s organisational culture which helps OUI functioning of its internal core processes. 4. OUI’s internal core processes (the administrative systems) allow HC to develop by ensuring the regulations implemented are properly managed and evaluated (through monitoring and evaluation). 5. Factors promoting and hindering HC in value | 4) Competitive business environment  
These elements are influenced by factors related to working environment:  
a) Sociocultural context in ODL  
b) Learning support systems  
c) ODL system in OUI’s competitive advantage. |
|                                              | 4) How does the internal core processes in the ODL context help HC to develop? | to acquiring, developing and maintaining of HC) to be aligned with its strategic direction are: flexibility (in cost and programs offered) and access of education, the ODL system and the competitive market. | 2. HC in OUI’s strategy and control system (key theme 3) was analysed utilising the theory of levers of control (Simons, 2013; Barney & Clark, 2007) based on assumptions about organisation, strategy and human motivation:  
1) Control systems are important levers in managing the inherent tension between opportunity-seeking behaviour and limited attention. Thus, balancing this tension is essential to maximising return-on management and creating outputs of value.  
2) There is an interaction between the intended strategy processes and emergent strategy processes.  
3) Management control system are capable of reconciling tensions between individual self-interest and innate desires to contribute.  
To manage these tensions, levers of control were implemented in HC practice in OUI:  
a) Belief system in OUI communicate core values to inspire and motivate employees to engage in appropriate actions, thus, to enhance core values related to the university’s strategy (vision-mission) and strategic direction.  
b) Boundary systems in OUI communicate the actions that the employee should avoid by implementing personnel administration |
<table>
<thead>
<tr>
<th>Research Questions &amp; Sub Research Questions</th>
<th>Interview Questions</th>
<th>Case Study Findings (Chapter 4)</th>
<th>Case Study Analysis (Chapter 5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3) What is the role of HC in influencing the leadership and organisational culture in OUI?</td>
<td>6) How does the organisation structure affect HC function?</td>
<td>creation process are management interventions and participations of OUI’s stakeholders including support from the central/ local government.</td>
<td>system and OUI’s regulations apply to personnel including external academics engaged with OUI.</td>
</tr>
<tr>
<td>7) What is the role of HC to influence the leadership in OUI?</td>
<td>6. OUI is a bureaucratic organisation, thus the HC function is influenced by its hierarchical structure which is more inwardly-focused and bureaucratic. 7. At the managerial level, HC must have a set of criteria for the leaders determined by the nature of OUI such as: visionary, adaptive to current situations and having administrative capabilities. At the lower level, HC at least must have ODL capabilities and commitment to compliance with regulations.</td>
<td>8. OUI’s organisational culture</td>
<td>3. Leadership and organisational culture (Schein, 2010) (Key theme 4) 1) OUI’s organisational structure is structurally hierarchical, however, it is socially egalitarian. 2) Decision making processes involving top-down and bottom-up approaches 3) OUI employs an openness philosophy (lifelong learning, flexibility and open access) 4) OUI applies strategy from an inwardly-focused bureaucratic to a more responsive customer-oriented university. 5) OUI applies a behavioural approach for strategies including financial reinforcement (incentives/ remuneration), non-financial reinforcement (sanctions and non monetary rewards such as career development, training), and social reinforcement (through communication such as compliments). 6) OUI’s strategic direction shapes values towards achieving OUI’s organisational goals and objectives.</td>
</tr>
<tr>
<td>Research Questions &amp; Sub Research Questions</td>
<td>Interview Questions</td>
<td>Case Study Findings (Chapter 4)</td>
<td>Case Study Analysis (Chapter 5)</td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>---------------------</td>
<td>--------------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>How does HC contribute to delivering OUI’s proposed set of values for its students?</td>
<td>8) What is the role of HC to shape OUI’s organisation culture?</td>
<td>is influenced by the values of individuals and the role of the leaders</td>
<td>To understand the processes of HC to deliver OUI’s proposed set of values, the notion of performance and value-adding is defined according to OUI’s mission and strategic directions. 1. Based on a pilot-Delphi study, there is a consensus that OUI ‘performance’ refers to the degree of OUI’s achievement in realising its goal a. The ability to provide access b. The capabilities of students and graduates c. The qualifications of academics and tutors d. The quality of academic products, services and operational system</td>
</tr>
<tr>
<td>1) What level of performance does OUI need to achieve?</td>
<td>1) What counts as performance in OUI and what does not?</td>
<td>1. The nature of OUI as an ODL university, OUI does not count time completion or duration of study as an indicator of performance. OUI counts ‘access’, ODL system and a set of HC capabilities (students/graduates, academics and tutors) as indicators of performance.</td>
<td>2. Value-adding outcomes for OUI is the enhanced learning resulting from prescribed learning activities. OUI’s value in proposition is to provide accredited degrees with affordable cost, access to education and flexibility in learning. Thus, the value adding outcomes is the outcomes attained from the value-adding processes involving activities, resources and capabilities. Enhanced learning outcomes represent what is formally assessed and accredited to the student such as knowledge outcomes, skills-based outcomes, and personal competence. Enhanced learning outcomes are expected to result from OUI’s students experience in the ODL content. In order to explain this process (how HC generate value-adding), a business model for open university (Lambert &amp; Charter, 2013) is employed.</td>
</tr>
<tr>
<td>2) What value-adding outcomes does OUI need to achieve?</td>
<td>2) What is the notion of value-adding for OUI?</td>
<td>2. OUI’s Value adding is to provide advanced benefit compared with ODL universities. Thus, in order to provide value-adding outcomes, OUI must satisfies performance measured by the indicators of performance.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3) What are the processes for OUI to gain value-adding outcomes?</td>
<td>3. The value adding processes involving activities (online and face to face tutorials, developing printed and</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

218
<table>
<thead>
<tr>
<th>Research Questions &amp; Sub Research Questions</th>
<th>Interview Questions</th>
<th>Case Study Findings (Chapter 4)</th>
<th>Case Study Analysis (Chapter 5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3) What strategies does OUI need to sustain a competitive advantage?</td>
<td>4) What are the weaknesses, strengths, opportunities and threats for OUI? 5) What are the information flows that are necessary to enable OUI to learn from its experiences?</td>
<td>multimedia learning material as well as assessment tools supported by resources and capabilities of its HC. 4. Access and flexibility are the unique contributing factors for OUI performance other universities in Indonesia do not have. OUI has a distinctive system to provide ‘access’ and ‘flexibility’ as well as qualified academics with ODL capabilities which enable OUI to have distinctive factors for ensuring competitive advantage. While changes in government regulations in Indonesia, has placed OUI in a more competitive ODL market. 5. Diagnostic control system (e.g. monitoring and evaluation) translates into the traditional role of monitoring OUI’s performance and correcting any deviations from target levels of performance. Interactive control system represents the monitoring of</td>
<td>3. In order to embrace strategies for OUI to sustain a competitive advantage, the potential threats and opportunities were mapped. OUI attempted to adopt strategies by embracing its ‘value in proposition’ and improving its ‘value-adding process’ to deliver its ‘value-adding outcomes’. These are carried out based on the determined missions by ensuring better communication, improving human capital, and fostering OUI’s centre of excellence in ODL system.</td>
</tr>
</tbody>
</table>

219
<table>
<thead>
<tr>
<th>Research Questions &amp; Sub Research Questions</th>
<th>Interview Questions</th>
<th>Case Study Findings (Chapter 4)</th>
<th>Case Study Analysis (Chapter 5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>strategic uncertainties and the discussion of existing information between managers and subordinates. Diagnostic and interactive control system have been integrated into a performance management system that enable OUI to learn from its experiences.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Developed by Candidate
5.4. THE CONTRIBUTION OF HUMAN CAPITAL TO DELIVER OUI’s PROPOSED SET OF VALUES

This section attempts to answer the third research question (RQ3) of “How HC can help OUI (contribute to organisational performance) in regards to delivering OUI’s proposed set of values and value adding outcomes for university’s stakeholders, especially students?”. In order to answer RQ3, the research question was synthesised into three sub-questions following the major themes of the proposition of HC. The proposition of HC attempting to answer how HC increases relevance when applied in the specific context of an organisation. Thus, the sub-questions of RQ3 are: First, what level of performance does OUI need to achieve? Second, what value-adding outcomes does OUI need to provide? Third, what strategies does OUI need to sustain a competitive advantage? The task is then to structure HC in individual context of an organisation where it gains its particular identity. Thus, HC can make a difference via its associations with other entities that are part of the organisation. Aligned with a performative approach to HC research, for this purpose, Resources-based theory (Barney, 1991) and an open university business model (Lambert and Charter, 2013) are utilised to explain the factors that must be fulfilled to deliver on OUI’s proposed set of values and provide value-adding outcomes for its students.

5.4.1 The Notion of Performance in OUI

In order to answer the sub-question “what level of performance does OUI need to achieve?” we first need to know is “what counts as performance in OUI, and what does not?”. Based on interviews and pilot-Delphi there was a consensus that ‘performance’ refers to the degree of OUI’s achievement in realising its goal and mission. Thus, the performance of OUI is not only the qualifications of the people (academics), the product (learning materials) and the service (consultation for students), but also the qualifications of the output (graduates). Value-adding refers to the addition of features to a basic product and service that has been provided by the university to its students which students do not acquire from other providers.
5.4.1.1 What counts as performance?

Based on the interviews and the pilot Delphi, there was broad agreement that performance is the degree of OUI achievement in realising its stated goals and missions. There are four primary factors in determining OUI’s performance. First, the capability of the university in increasing access to quality higher education, that is the number of the enrolled students and the distribution of students. Second, the capability of the university in producing quality graduates, such as the number of graduates every year and their learning achievements (GPA). Third, the quality of the academic programs and material and systems, such as curriculum, learning material and student assessment materials. Fourth, the quality of OUI’s academics and operational systems, such as the learning support system, examination system, internal control and quality assurance system. These four factors are further discussed below.

5.4.1.1.1 The ability to provide access

One of the key performance indicators is the ability to provide access to those living in remote and rural areas and those who do not normally have access to higher education. As a participant stated, “OUI performance is the capability to provide access, not the student numbers. In my opinion, the university with the wider access has higher performance” [A3]. The support system such as specialists, learning centres and administration staff are responsible for widening access.

There are other ways to widen access such as increasing the number of learning centres and regional offices, networking with governments and improving the IT platform/system. Currently, OUI has forty regional offices and this enables more people to enjoy flexibility in learning. OUI has benefited from government policies for years and needs to continue working closely with the key decision makers. For example, negotiating agreements to send their staff to study at OUI and sending academics to get involved in the decision-making process also requiring government and local authorities to provide effective internet access at the district level. OUI needs to continuously improve its IT systems to ensure the online learning is delivered timely and to support the other learning support
systems. These initiatives will enable people who live in the remote areas to obtain access to higher education. When access is facilitated a key mission objective is accomplished. Thus, one of the performance outcomes is achieved.

OUI staff, both academics and administrative, are key assets. Academics and tutors are responsible for upgrading and enhancing the quality of graduates. As a result, OUI’s graduates are also an important performance outcome for the university. The success of a university at present is not just measured by the number of graduates, neither is it measured by the buildings, physical facilities, or other hardware made available by the university, rather how its graduates perform in the public sphere. The emphasis is more on “who in the university contributes to development in local, national, as well as the international arena”.

Such a contribution can only be made through the utilisation of expertise and knowledge capital that is then being shared in a wider arena. Expertise indicates the adoption of best practices, while knowledge capital indicates a contribution to societal development. Social capital then becomes tacit knowledge that is essential to the sustainability of the OUI system. Expertise is translated into two distinctive fields: subject matter and distance education. This also applies to knowledge and social capital and means that OUI human resources are the experts in their subject matter area and in the innovative education delivery system. OUI human resources and graduates have distinctive expertise and should contribute not only to OUI’s internal development but also to societal development at various levels. Their expertise, knowledge and social capital needs to well preserved and documented. OUI should facilitate the process of providing an opportunity for its human resources to obtain distinctive expertise, and thereby contribute to various development efforts in the wider scholarly arena, virtually as well as through a physical presence. In return, these human resources and graduates will help promote OUI publicly in seminal and scholarly forums including seminars, communities of practices and professional associations. Academic excellence is a brand that OUI can promote and be recognised widely. To maintain the level of excellence, OUI has to provide continuous professional development for these “experts” that then enhance OUI’s image publicly. Also, OUI needs to provide opportunities for its human resources to be involved in and
engaged with wider level scientific and scholarly forums local, national, and international. Their expertise will become acknowledged in such forums, and enhance OUI’s brand and public presence. Ongoing contact and communication with graduates should be maintained through various channels including newsletters, holidays greetings, and other forms of regular contact. Human resources enrich OUI through their activities, expertise and image promotion in the public sphere.

5.4.1.1.2. The capabilities of students and graduates

OUI has to work to achieve its second mission and that is to upgrade the qualifications and capabilities of the students. The university has yet to achieve its performance targets in this area. The university has benefited from the Government’s regulation to educate current teachers to upgrade their teaching qualifications. Even though OUI has been able to graduate one million teacher students, the quality of the graduates remain questionable.

About 72% of the OUI students cohorts are teachers. The question remains unresolved as to whether these teacher graduates now teach better in schools with their enhanced capabilities and whether their pupils are subsequentialy achieving significant learning outcomes. To what extent do these teachers fulfil the requirements of ‘qualified teachers’? As one participant stated, “For OUI’s performance we can say ‘Yes’, but for the outcomes such as teachers competence, we still do not know” [A2]. Good quality graduates are expected to have a number of competencies. First, mastery of knowledge which is comparable with other graduates in the same field as graduates from other universities. Second, mastery of “learning to learn” skills learning independently; self-directed learning; learning from various resources; and, being aware of educational innovation. Third, mastery of learning technology always keeping up with the latest development and applying technology appropriately. Fourth, mastery of professional and scholarly attitudes/behaviours, such as self-confidence, extending a helping hand, being problem solvers, good team player, collegial and having respect for others. Fifth, making scholarly contribution to the development of the profession, work area, and subject matter area.
OUI graduates are most likely to work in the field relevant to their discipline of study because they often already have a job before they started studying at OUI. Thus, the study/job relevance can not be included as an indicator of performance because OUI graduates already have jobs commitments and work experience. The quality of graduates can not be gauged just from the gaining of knowledge. Instead, the improvement in competency has to be transferred from the university to the workplace, and whether the graduates are able to perform effectively in public. One should also note that often people tend to under-perform not because their capabilities and competencies do not meet the requirements of the relevant job but because the working environment is not conducive enough to enable them to perform effectively.

In order to provide ‘high-quality standards’ in delivering ODL, OUI must understand the characteristics of each student cohort and adjust the services, especially in the learning support system, according to the characteristics of each group. To provide effective learning support, OUI must provide tutorial programs using eligible and competent tutors obtained through a reliable recruitment and training system with an effective performance appraisals and reward system.

5.4.1.2.3 The quality of academic products, services and operational system

The quality of academic products includes the academic program and learning materials and learning support. The quality of academic programs necessitates compliance with national and international standards, recognition by national as well as international accreditation agencies, achieving dynamics in development and striving toward equipping students to cope with the latest challenges and capabilities. The academic programs must go through rigorous academic process to ensure quality. The quality of the academic process includes unique student centred learning materials, and media. This includes quality instructional materials (modules) and availability of quality learning supports such as online tutorials and online consultations for students. The quality of learning products must enable students learning outcomes to be comparable and competitive at the national and international level.
OUI would be considered to have achieved a good performance if OUI resolves the problems and difficulties in the learning process. The quality of the services is then determined by the process in delivering effective learning support for students, such as after office hours consultations with students and the quality of tutorials that focus on a student centred approach rather than a teacher centred approach. Thus, to improve the quality of services, OUI must emphasise student needs and outcomes.

5.4.1.2.4. The qualifications of academics and tutors

The qualifications of academic staff also need to be evaluated. They are expected to have the highest possible credentials should be rated positively by students and colleagues. They need to be recognised and active scholars in various scholarly and scientific forums. For example, active publishers of articles in various journals and other types of publications, members of various working teams and professional organisations based on their expertise, and, if possible, have acquired patents or another form of intellectual property rights.

To develop the qualifications of academics, individual and institutional goals need to be agreed and plans need to be in place to achieve such goals and be engaged with communities and professional fields through teaching and research activities. This cycle of development applies to individual human resources as well as unit-level human resources. While the improvement in individual and unit-level capacities of human resources capital is needed, support from the institution is also important to ensure this is accomplished. OUI does provide support for academics for professional development, including work arrangements and assignments, the establishment of a conducive working environment and the implementation of a performance and reward system as well as sanctions/punishments.

The system is considered to have achieved the level of a ‘quality system’ if it meets the following criteria. The system is reliable that produces necessary information and data to support decision-making internally. There is zero-defect (TQM term) for highest quality systems. It is accessible by clients and users at different level and arrangement anywhere, anytime. A learning delivery system
which is innovative, creative, unique, and enriching the students’ learning, and is also media-rich to allow students to select different media for learning. An assessment system which has multiple representations of understanding to enable students to show their performance through various means. The system is technology-based for efficiency, accuracy, timeliness, and accountability purposes. Finally, there is an assurance and control mechanism for accountability (including public audit and/or accreditation).

5.4.2. The Notion of Value Adding in OUI

The notion of value adding in OUI surfaced during the pilot Delphi process. While ‘standard’ means fulfilment of minimum requirement, value adding has an organisational meaning providing advanced benefits compared with other similar organisations. The notion of value adding is necessarily context-dependent and for OUI, there are four factors that determine the level of OUI’s performance. Thus, for OUI to provide real ‘value-adding outcomes’, OUI must satisfies these four factors: The ability to provide access, the capabilities of students and graduates, the quality of academic products, services and operational system, and qualifications of academics and tutors.

High-quality HC will help generate high-quality outcomes. The students and graduates are considered well qualified if they meet the ‘above average’ quality standard of requirements. For example, they can improve their capabilities as a result of their studies to perform better in the work force. The role of HC, such as academics and tutors that provide learning delivery and learning supports for students, is critical to enable students to pursue their studies successfully and achieve their potential. In the learning delivery process, academics and tutors play a significant role in developing the information and technology-based online learning materials to be used by students so that the IT skills of the students become well developed. The learning delivery would not work without the existence of an effective technology platform. OUI needs to be forefront of the use of technology to enhance learning delivery and supports at a high standard for anyone, anytime, anywhere. The online-based learning delivery system requires flexibility to enable students to take different progression pathways based on their
individual media preferences. Innovation in technology must be a priority for OUI to achieve excellence. The uniqueness and distinctiveness of OUI must be assessed through the outcomes of its graduates. Thus, the IT skills embedded in students and graduates become a value-adding outcome for OUI. This value-adding outcome can provide a competitive advantage for OUI. OUI graduates are able to achieve learning outcomes just as is the case with other universities’ graduates and in the end achieve higher outcomes. OUI is able to enrich its academics, tutors and students with a range of IT skills that their peers in other more conventional universities do not have because of the ODL system.

This thesis utilised a university business model developed by Lambert and Charter (2013, in Evans, 2013) and modified by the candidate to fit the context of OUI in order to gain a deeper understanding of how HC generates ‘value-adding’ for OUI. This OUI business model aims to explain the context-specific value adding processes in OUI and is further explained in Figure 26. In Chapter Six.

5.4.2.1. Value in proposition

The value in proposition is a promise of value to be delivered and acknowledged by OUI and belief from the students that this value will be experienced. Organisational missions of OUI are to widen access and to upgrade the qualifications of school teachers. To achieve this mission, OUI has to provide access for people with tertiary education and flexibility that enable the students with limitations to study in more convenient ways. Therefore, OUI offers not only degrees and accreditation but also the flexibility in learning gained from an ODL system as its value in proposition. The value in proposition (the promises) to the students are fulfilled if learning deliveries and learning supports meet the expectations of the students.

5.4.2.1.1 Degrees and accreditation

The value in a proposition for OUI is different from those in traditional universities. Open universities are different from virtual universities and institutions focusing on distance education (ICDE). Open universities are institutions offering courses with no entry requirement. Institutions focusing on distance education offer virtual courses in addition to traditional campus-based
courses, and virtual institutions offer programs only by electronic means, and are not open universities.

5.4.2.1.2 Flexibility and access

Unlike value in proposition in a traditional university (Charter and Lambert, 2013), OUI offers not only accredited degrees but also flexibility and access. The flexibility includes learning support system, programs offered and different cost levels. University students are always looking around for the lowest possible cost for the best quality and also how the ‘outcomes’ they pursue at the university will contribute to their future success. A value in proposition is a promise of value to be delivered and acknowledged. The statement clearly identifies what benefits a customer will receive by purchasing a particular product or service from a vendor (Labeaux as cited in Hassan, 2012). A value in proposition should convince students that studying at OUI is better than studying at other conventional universities. This value in proposition can lead to a competitive advantage when students choose to study in OUI over other universities because they receive a perceived higher value of outcomes. Access means the ability to provide higher education for people living in remote and regional areas in which can be measured by the number and distribution of students.

5.4.2.2 Value-adding process in OUI

The delivery channel that OUI employs as depicted in figure 26. focuses on an online mode as well as face-to-face delivery to supplement the online learning programs. This has far reaching implications for the value-adding processes of OUI. This requires almost double the number of activities, resources and capabilities than in a traditional face-to-face university model. In an ODL system, online and face-to-face tutorials, printed and multimedia learning materials, and writing assessment (national examinations) are a part of the overall value-adding process. To gain a deeper understanding of how this value-adding process works in practice, the process is sub-divided into three areas for analysis: activities, resources, and capabilities.
5.4.2.2.1 Value-adding activities

A large part of organisations is engaged with ‘servicing the current value expectations’, and these value adding activities aim to change the level of value exchange. To accommodate the online and face-to-face delivery modes, staff are required to include appropriate learning and teaching activities related to online-based learning delivery and online learning support. Those activities include curriculum development, creation and maintenance of learning materials, interactions with students in the form of tutorials and consultations, and designing online assessments and marking. The process of curriculum development is essential for achieving successful educational goals for OUI students. Involvement of key subjects in the process of curriculum development is the first stage of the process. Since OUI uses a student-centered approach, the student is the central figure in the education process. The mission statement should include a section of what type of graduate student outcomes are to be achieved. Those activities involve relationships and networks with other parties such as local government, private entities, accreditation bodies, professional agencies and industries/employers. These sort of social relationships and networks are the social value embedded in HC, which then potentially creates value for OUI.

5.4.2.2.2. Value-adding resources

The resources and infrastructure required to carry out the activities involved in the ODL system include distance and on-campus classrooms, academic offices, library and e-learning materials and online support. OUI has had to invest heavily in information technology and support systems for staff and students. Technology plays a vital role. To provide the best possible learning experience, OUI has to adapt and find new ways to meet the changing needs of its students. The meaning and the implications of the changes of technology in the learning process must be understood and embraced. ICT online learning has changed how students learn. The shift from an individual-only endeavour to collaborative activities in online learning enables two or more people to learn topics together. Additionally, online learning has also shifted from passive to active learning and from a teacher-centered to a student-centered approach which is the most positive consequence of
technological and educational advancements (Gutierrez et al., 2014). Students are no longer content-receptors merely taking down notes or listening to tutors. Instead, the students now have a different set of expectations when it comes to learning.

5.4.2.2.3. Value-adding capabilities

Online delivery modes require academics and staff to have high-level capabilities in information system and technology and multimedia authoring. OUI needs the appropriate human resources capabilities to provide online tutorials and skills in communication and consultation (both direct and via online forums) for students. In addition to these value adding capabilities, OUI has established a sound and effective system to serve students as well as having documented the accumulated tacit knowledge. Tacit knowledge is OUI’s most valuable asset to help develop and deliver open and distance education programs within the context of demography and geography in which OUI operates. Documented tacit knowledge has been crystallised into best practices and consistently implemented. Therefore, when best practices are applied effectively, tacit knowledge is embedded in the interrelationship amongst staff. The result are then communicated to OUI’s stakeholders. The quality assurance system has been developed to maintain the tacit knowledge implicit to HC. Best practices are well documented and standardised and used as working guidelines. HC development is carried out through both further formal education as well as practical training and HC is managed through a clear and transparent promotion stream. HC, as the input and transformation agent in this value adding process, utilises the organisational unique resources and capabilities to deliver the proposed set of values.

The value adding process provided through having high capabilities of staff in these areas enables students to become more engaged in their learning. Online tutorials have had a significant impact on other matters such as overall capacity building, which includes human resource development (human capital), communication infrastructure and facilities (structural capital), as well as networking and partnerships (relational capital). Some of the most important observed impacts are as follows: higher student awareness of the value of the
internet for education and increased computer literacy among OUI students; higher staff awareness of the emerging phenomenon of e-learning practice and opportunities stimulated by it; Increased commitment among OUI’s top executives to the use of ICT for improving OUI’s learning support system (For example, the funding allocation for ICT related facilities such as servers, workstations and LAN infrastructure has been increased); and, improved image of OUI from a conventional distance learning institution to be a more sophisticated provider of distance learning.

In a value adding process, when HC is an input of management activities, there is a link between HC activities to attain value adding and the overall strategic plan of the organisation. The integration of HC practices (strategies, plans, programs) with strategic direction has allowed OUI to assess current human capacity based on competencies against the capacity needed to achieve the vision, mission and goals of the organisation. Targeted HC practices (such as recruitment and training development program, performance and rewards system) to address identified gaps are then designed, developed and implemented to close the gaps (between current state competencies and vision/values competencies).

5.4.2.3. Value-adding outcomes

The design of learning experiences in higher education is becoming increasingly outcome-focused but there is still some confusion about what constitutes these outcomes. This thesis has focused on HC as unit-level analysis in delivering enhanced learning outcomes for students in the ODL context. Thus, the emphasis is on learning outcomes resulting from prescribed learning activities. Learning outcomes represent what is formally assessed and accredited to the student and they offer a starting point for a viable model for the design of curricula in higher education which shifts the emphasis from input and process to a greater engagement and celebration of student learning (Allan, 1996).

Different types of learning outcomes: knowledge, skills, and personal competence are expected to result from OUI’s students experience in the ODL content. Knowledge outcomes are cognitive gains in the broadest sense and include knowledge of the substantive material, understanding of theoretical perspectives
and issues, and ability to apply knowledge and solve problems. Ninety percent of OUI’s students are already employed. Therefore, they have a better level of ability to apply knowledge and substantive materials gained from learning activities into practice than students who do not have such work experience. Skill based outcomes include specific skills related to the process of learning such as data analysis, word processing, and vocationally specific skills. In an e-learning environment, students have better opportunities to have access to and engage in technology-based learning processes than those who learn in a more traditional mode. Thus, their capabilities in areas such as word processing, web and multimedia literacy, vocationally specific skills and other ODL related skills are more highly developed. In addition, OUI students are considered to have better personal outcomes. In the ODL context, students are more engaged and activitely participate in learning activities remotely even though they have limited support such as electricity supply and internet access in the area that they live. In this situation, they have to have higher personal motivation to keep engaged in learning. They also have better interpersonal skills and organisational skills of various kinds, and have to solve real problems better than students from traditional universities who do not have such a difficult experience during the learning process. In this case study, employers have found that ODL students are more independent, resilient, and problem-solving and likely to be more successful in their chosen careers. This is because OUI students are used to studying independently and setting their own goals.

Similarly, academics and tutors tend to be more creative in delivering learning activities to students. They have specific ODL skills which their peers in traditional universities do not have such as multimedia authoring and instructional design for teaching and learning. Their interpersonal skills are developed to be more team-work oriented than in individual settings. However, in certain disciplines their substantive knowledge is not well-developed because of certain constraints. Academics work a regular overload in which they must work beyond normal business hours. Consequently, they often do not have time and energy to enhance their substantive knowledge in the discipline. Additionally, OUI’s focus is on the distance education as its centre of excellence and tends to be less
supportive of other disciplines other than education and distance learning. This is also embedded in its organisational culture. In addition, most teaching and assessment in higher education focuses on cognitive skills of knowledge and understanding rather than on affective outcomes of values, attitudes and behaviours. Therefore, the substantive knowledge of academics tends to be more developed than academics in ODL universities. However, some areas of higher education have effectively pursued affective outcomes and these use particular learning and teaching activities to do so (Walker & Fraser, 2005). OUI should therefore, be more focused on affective outcomes of positive values, attitudes and behaviours. Such affective learning outcomes need to be embedded in students and academics. Higher education institution seeking affective learning outcomes (Shepard, 2008) potentially tends to sustain competitive advantage.

5.4.3. Strategies to Attain OUI’s Competitive Advantage

5.4.3.1. Weaknesses and potential threats

Since it was first founded in 1983, OUI has gained a competitive advantage by being the one and only open university in Indonesia. The flexibility in learning and the programs it has offered as well as the open access to education are key elements of the uniqueness and distinctive resource of OUI. OUI has enjoyed 30 years of a golden era of development in which it has had more than half million active students. However, 2015 has brought significant change to OUI since Government Regulation (Number 109/2013) expanded regulations pertaining to distance education in the higher education sector.

The impact of this regulation is that there has been a shift in the higher education sector in which some leading universities in Indonesia have expanded and their focus from the traditional system to include the online education learning system. For example, University of Indonesia (UI), the leading state university in Indonesia, and Bina Nusantara University (Binus), a leading private university in Indonesia have started ODL programs and claim themselves to be “The first and leading ODL program” as recently advertised in a leading newspaper in Indonesia (Kompas, 5 December 2014). Also, the Indonesia private universities association has required that the government support widely the expansion of the ODL
system in higher education. OUI now is no longer the one and only ODL university in Indonesia. In effect, OUI no longer holds the unique position of being the only ‘flexible in learning’ and ‘open access to education’ in the ODL system. In this more competitive market, OUI needs to make significant changes otherwise its position might be in jeopardy from the new players in the market. As one participant stated, “ODL system used to be positioned as ‘second class’ in higher education system, and now when its already established we don’t want OUI to become ‘second class’ ODL provider..” [C8]. The expansion of the knowledge and the information technology-based industry means that OUI must be able to adapt to a very competitive market by changing strategies, structures, boundaries and expectations of staff (Cameron & Green, 2015).

OUI now needs to reconsider its ‘value in proposition’. To some extent, what OUI has done so far to fulfill the promises for the students is still open to question. As one participant stated, “… Yet, we have not been able to fulfill their basic needs in having learning support…” [C7]. The service provided to students is important as this affects the loyalty of consumers/students. The satisfied customers/students can be either loyal or not loyal to such a ODL provider depending on the services that OUI has provided. Unsatisfied consumers/students will have no loyalty (Liu et al., 2015) and will transfer to other ODL providers.

The role of the academics’ capabilities can result in a sustainable level of competitive advantage (Hall, 2013). In OUI printed learning materials are considered as “tutors” to replace the role of tutors in face-to-face tutorials. These conditions consequently have posited the academics as service providers rather than as knowledge resources. Also, the programs/policies are not necessarily aligned with the vision, mission and key objectives and have put the OUI learning centers in a dilemma whether to provide the services for students or focus on efforts to fulfil the academic requirements and to improve their academic capabilities. Most academics who are in structural positions argued that they cannot perform their function as an academic such as online tutorials due to their job as ‘the servants’ for the students.
5.4.3.2. Strength and potential opportunities

Intangibles such as human capital and other intellectual assets are considered critical to an organisation’s value. Some scholars (Ratnatunga, 2002; Andriesen and Tissen, 2000; Barskey and Marchant, 2000) have argued that competitive advantage is increasingly based on how organisations harness these intangible assets, as it is harder to sustain competitiveness in today’s global economies purely on the basis of the traditional tangible assets, as these are also easily available to competitors. The view is that it is the intangible assets, including human capital, that now provide true competitive advantage (Ratnatunga, 2013).

Innovation is also a source of competitive advantage. OUI is one of the leading ODL universities in innovation in online-based learning. OUI has provided online registrations, online-based learning for all programs, online-based examinations for certain subjects, and other online-based learning support systems. OUI has also participated in massive open online courses (MOOCs) programs initiated by world-class universities such as MIT and Harvard University. These innovative initiatives have come from both above and from the bottom. The role of human capital in designing and creating such innovations is another source of OUI’s competitive advantage and is therefore critical.

A combination of human capital can potentially create a source of competitive advantage. This includes personal value (bottom-up leadership and ODL capabilities), social value (teamwork, relationships and networks with government entities) and organisational value (organisational culture) embedded in OUI’s human capital. These human capital elements are considered to be context-dependent assets that have the potential source of competitive advantage for OUI. ODL skills such as multimedia authoring, online tutoring, designing instructional learning are the sort of capabilities which are valuable, rare and hard to copy. Social relations with the central government and local governments as well as the organisational culture, enrich OUI’s human capital to become a valuable, rare, imperfectly inimitable resource. These provide a source of competitive advantage because they incorporate unspoken, routine or tacit ingredients, which competitors find hard to imitate (Ratnatunga, 2013).
This thesis argues for a need to go beyond individual asset classifications and values, be they tangible or intangible, to recognise how these human assets work in combination to support the capability of an organisation to enhance its economic value. The value of an organisation’s asset capabilities is highly context-dependent. These human assets increase in value only when they can be used in such a way that competitors find hard to imitate. Human capital that is valuable in one setting may lose value in another setting. For instance, although traditional universities and ODL universities both depend heavily on human capital they do so in different ways. The academic-based experience and research and innovations generating measure for traditional universities may not be relevant in an ODL university which is more student-focused and service oriented. Research indicates (Ratnatunga et al., 2004) that even if human capital can be valued, what is hard in practice is the valuing of the associated tacit knowledge and judgement required to combine these differing assets to enhance the capability of the organisation. While valuing human capital is problematic, this thesis argues that ‘the actors’ harness value of human capital to sustain an organisation’s competitive advantage through conceptualisation of HC, value creation of HC and and proposition of HC, which is discussed further in Chapter Six.

5.5. CONCLUSION

The performative case study required an in-depth analysis of the processes, interactions, relationships and results of the subject matter as provided by the insights of the ‘participants’. Through the use of the three major themes of performative approach and a rigorous process of simultaneous data collection and analysis, this chapter has answered the research questions posed in this thesis.

The first research question “What are the elements of HC embedded in the practices of the OUI?” is answered by following ‘the conceptualisation of HC’ theme. To understand and analyse HC elements, HC is constructed based on structure (Mayo, 2012; Flamholtz and Randle, 2012), the level at which HC exists, and function of what HC does(Ployhart et al., 2014). It was found that HC refers to those people who potentially create value for an organisation. As OUI
has positioned itself as an education provider rather than as a knowledge resource, HC in OUI is all employees including academics, specialists and administration staff. At the individual level, HC is individual capabilities that comprises behaviour, skills, expertise, qualifications and experience, social relations and network, capability as well as organisational culture. However, not all individual capabilities can act as ‘capital’ for the organisation. At the unit-level and organisation level, the individual capabilities, which are most dominant (ODL capabilities and teamwork), are then accumulated to form SC and RC. ODL capabilities (HC) and other social capabilities (teamwork, leadership, social relations and networks) are integrated to form RC. HC and internal core processes (ODL system and the 3 major functions of HC) are also integrated to form SC. Organisational culture is structural capital (SC) and the third element of HC that forms organisational value. These elements are embedded in HC practices in OUI.

The second research question “How HC creates value for OUI vis-a-vis the contribution of HC to the strategic direction and the management of OUI?” is answered by following ‘the value creation’ theme of the performative approach. The role of HC is central in creating value for OUI and this key theme identified factors grouped in the work environment, whereby the value creation process of HC is enacted. The elements of HC including SC and RC are embedded in HC to create personal value, social value and organisational value. OUI focuses on its vision and mission on becoming a centre of excellence in ODL universities and the ODL system is designed to accomplish the organisational mission. The strategy and control system aims to ensure OUI delivers enhanced learning and this control system engages all staff from top to bottom in a balancing act between OUI’s strategic direction and its human capital. While the role of HC in influencing the leadership and organisational culture in OUI is significant, leaders are posited as both symbols and active agents who have significant influence in shaping OUI’s organisational culture. Thus, the value creation process in OUI is a continuous process whereby OUI’s stakeholders add value and this exchange value needs to be kept in equilibrium.

The third research question “How HC can help OUI (contribute to organisational performance) in regards to delivering OUI’s proposed set of values and value
adding outcomes for university’s stakeholders, especially students?” is answered by following ‘the proposition of HC’ theme of performative approach. HC contributes to OUI’s performance regarding delivering on OUI’s proposed set of values for its students. OUI has adopted strategies by embracing its ‘value in proposition’ and improving its ‘value-adding process’ to deliver the enhanced learning as ‘value-adding outcomes’. Embracing ‘flexibility and access’ in addition to ‘accredited degree programs’ as the ‘value in propositions’ that OUI offers and is carried out based on the determined mission of ‘making higher education open to all’. OUI ensured flexibility and access to education by ensuring better communication, improving human capital, and increasing diversity. The value-adding process could be improved by ensuring the quality excellence of its operational activities; enhancing resource (technology, system, networks and organisational culture) that support its activities; and improving human resource capabilities that create value for OUI and its stakeholders. These value-adding processes involving activities-resources-capabilities of HC that in turn generate enhanced learning with ODL capabilities as learning outcomes for students who study at OUI. These unique capabilities perceived by OUI’s students are value-adding outcomes for OUI to help attain competitive advantage.

This thesis has assessed the emergence of best practice explaining the phenomenon of human capital in OUI. The implications and recommendations for theory and practice are detailed in the following chapter (Chapter Six).
CHAPTER 6. IMPLICATIONS FOR THEORY AND PRACTICE

6.1. INTRODUCTION

This chapter has two primary aims. First, to further explain the reconceptualisation of HC in the IC field (Mouritsen, 2006; Boedker, 2010; Guthrie et al., 2012; Dumay, 2013, 2015) and to analyse the implications for the theory of HC within IC. Second, to analyse the implications of HC research for HC practices in the public sector and universities. The performative case study helps to link theory to the practice of HC in OUI and transcends theory of HC in the IC field (Hansen, 2011). However, this thesis takes a further step by assessing the implications for OUI in HC practice.

Typically, the existing literature defines human, structural and relational capital as separate elements and proposes causal relationships between these elements that connect them with organisational performance (Marr et al. 2005; Chen et al. 2005). As explained in the literature review chapter, IC elements comprise human capital (HC), structural capital (SC) and relational capital (RC) (Edvinsson and Malone, 1997; Roos et al., 1997; Stewart, 1997; Sveiby, 1997). The relationships, as depicted in Figure 22, are dependent on each other. HC is considered to be a value driver that drives organisational capital (SC and RC). Academics develop learning materials, learning delivery strategies and routines, publications, and procedures to be delivered to their academic peers, students, government and accreditation bodies, and communities. Similarly, staff develop databases, process manuals, routines, system and procedures to be communicated internally (to other OUI staff) and externally (to students, government, communities). Hence, HC creates knowledge which can then be incorporated in organisational capital to develop more effective customer relations (Fernstrom et al., 2004; Johanson et al., 2001; Marr et al., 2004; Roberts, 2003). Thus, HC is a value driver for SC and RC, and creates value for the organisation (Mayo 2012). Although SC is dependent on HC, and RC is dependent on SC, the relationship between the three components is not strong.
Figure 22. HC and the Value of Organisation

Source: Mayo (2012)

HC is claimed to be a key source of innovation, which drives SC and RC and may be unpredictable because the organisation cannot own such an intangible asset. While the criteria as an asset cannot be fulfilled in HC under the current accounting system (IAS 38), valuation and the measurement issue of HC remain unresolved. Most organisations are unable to determine what are the causal links between HC and value creation (Dumay, 2015) that is often associated with HC and other intangibles (Abeysekera & Guthrie, 2004). There is criticism about the inability to make a clearer causal relationship between people (human), processes (structural), stakeholders (relational) and value creation (Dumay, 2012; Guthrie et al., 2012). The performative approach attempts to answer the questions left unresolved by the ostensive approach. HC is to be viewed as a representation of knowledge resources whose transformative qualities emerge in an application. Then HC is a value driver that generates organisational value (value-adding outcomes) through the convergence of HC, SC and RC into HC. Finally, HC is mobilised idiosyncratically to make a knowledge-based organisation perform towards defined values. Using a performative case study in OUI, this thesis answers the questions about what is HC and how does HC create value for organisation as well as how HC does impact organisational performance. A summary of the findings (Chapter Four) and case study analysis (Chapter Five) is depicted in Table 10.
6.2. IMPLICATIONS FOR THEORY: RECONCEPTUALISE HUMAN CAPITAL IN THE UNIVERSITY

In order to reconceptualise HC, the analysis is divided into three sections which all utilise a performatve approach to HC research. Firstly, the conceptualisation of HC examining components of HC and understanding these concept. HC, I will argue, must be seen as integrated part of IC rather than as separate elements of IC as the elements of SC and RC emerge into HC. Secondly, value creation emphasises how HC relates to creating overall value for the organisation. This focuses on the process of creating the value of HC (personal value, social value and organisational value) rather than the valuation of HC itself. The third part focuses on the proposition as to how HC contributes to organisational performance resulting in value-adding outcomes for its students. This concentrates on the value-adding processes of HC to result in value-adding outcomes rather than causal relations and the structural model between HC and organisational performance.

6.2.1 Conceptualisation of HC

The conceptualisation of HC attempts to answer the RQ1 of what elements of HC are embedded in practice. HC is posited as the primary component of IC followed by structural capital (SC) and relational capital (RC) (Edvinsson and Malone, 1997; Stewart, 1997; Bontis, 1998; Choo and Bontis, 2002). However, the relationships between these elements are not strong. Treatment of HC as separate elements of IC that generates assets for the organisation is inappropriate because of measurement and valuation issues in attempting to quantify HC. HC cannot be included in the balance sheet because HC cannot be owned by the organisation. Moreover, ‘accounting-isation’ of HC and other IC components is fraught with danger because each organisation is unique and HC practices are only relevant when applied in a different context within an organisation (Dumay, 2013). HC generates other types of assets for the organisation, such as SC and RC, but the value of HC is difficult to determine. Thus, the concept of HC as separate elements of IC is open to challenge. The performatve approach more focuses on what HC comprises of rather than the valuation of HC. This is known by synthesising the
elements of HC. I would argue, SC and RC are embedded in HC, thus, HC is an integrated elements of IC rather than stand separately.

To support this argument, the theories of HC (Ployhart et al., 2014; Mayo, 2001, 2012; Falmholtz & Randle, 2012; Ployhart & Moliterno, 2011) are utilised. Ployhart et al. (2014) deconstructed HC based on structure, level, and function.

The case study finds that HC in OUI involves the academics and tutors as the primary HC, as well as specialists and academic support staff because the nature of OUI as ODL university which operates as a service provider due to the characteristics of ODL system. This is consistent with Mayo (2001). Additionally, HC in OUI consists of personal values, social values and organisational values. This is consistent with Mayo (2012) and Falmholtz and Randle (2012) HC comprises emotional and knowledge capital (personal value) as well as social capital and relational capital (social value). At the individual level, HC comprises individual capabilities (Mayo, 2012) and individual differences (Ployhart et al., 2014) that are maintained and developed in the organisation to become HC with economic outcomes. The individual capabilities are behaviour (emotional capital), skills, qualifications and experience (knowledge capital), and social relations and networks (social and relational capital) (Mayo, 2012) as depicted in Figure 25. Individual differences are knowledge, skills, abilities and other characteristics (Ployhart et al., 2014). Most of academics and administrative staff have individual capabilities in multimedia authoring and online tutoring which are unique and rare in higher education institutions especially in Indonesia. These individual capabilities (emotional capital or non-cognitive and knowledge capital or cognitive) are embedded in individuals creates personal value.

The social relations, teamwork and networks create social and relational values both exist at the individual level. As a bureaucratic institution OUI is socially egalitarian even though OUI is structurally hierarchical. Teamwork based oriented results and bottom-up leadership are embedded in practice and have become part of OUI’s organisational culture. Those sort of values are accumulated and accessible for unit-level purposes. These HC are the principal basis for value-adding outcomes and competitive advantage (Ployhart et al., 2014). Falmholtz and
Randle (2012) adds organisational culture, values, norms and beliefs that people bring into their organisation, as part of the third element that forms organisational value as the third element of HC. People bring their values, norms and beliefs which are influenced by their societal culture into an organisation, these then shape the organisational culture. At the unit-level, the personal value and social value of individuals are accumulated and integrated with the organisational culture to form set of organisational values. In an accounting sense (in the ostensive approach), organisational culture is an asset (something of value owned or controlled by a business enterprise) and can impact earnings (Flamholtz, 2005 in Flamholtz & Randle, 2012). From the performative perspective, organisational culture influences the way people behave in a variety of areas and influences the way people drive the organisation, whether or not this impacts on organisational performance. The value adding being provided is determined by the internal core processes as of HC in practice; from acquiring talented employees, developing HC and retaining HC through the performance and reward system.

In addition, individual capabilities include ability (stable cognitive), personality (non-cognitive), motivation and attitudes (situationally constructs) and physical characteristics (such as strength and health) (Guion, 2011; Murphy, 2012). However, the situationally specific variables, such as attitudes, satisfaction, motivation, emotion, are the individual differences that are considered to be emotional capital (Mayo, 2001). Positive attitudes in educating students, motivation in acquiring knowledge and delivering to students and disseminating this knowledge eventually creates knowledge capital, social capital, and relational capital. Knowledge capital is the major contributor to organisation value whereas human, customer and structural elements all work together in a positive environment of organisational learning to produce this knowledge capital. From the IC perspective, knowledge is a major component of overall intellectual capital, and people are mobilised into groups to create new IC. Social capital or relational capital is formed when people within the organisation work individually or within a team to promote social relations both internally or externally. This relational capital enables the organisation to function effectively (Skaggs & Youndt, 2004).
At the individual level, teamwork, social relations, networks (relational capital), tacit-explicit knowledge and organisational culture (structural capital) are embedded in HC. At the unit-level, these individual capabilities and individual differences are then accumulated to form structural capital and relational capital which converges as human capital as depicted in Figure 24 below.

**Figure 23. Conceptualisation of HC**

HC as separate element of IC  |  HC as integrated part of IC

---

Source: Developed by the candidate

At the unit-level, HC is accumulated to form HC that is relevant for performance parity and competitive advantage (Ployharts et.al., 2013). HC, both individually and collectively, contains the social relations and build the social values that form social capital as well as organisational values and culture that forms the structural capital. HC is defined as a unit-level resource that is created from the emergence of individuals’ knowledge, skills, abilities, or other characteristics (Ployhart & Moliterno, 2011). Together, these three arguments Mayo (2001, 2012), Flamholtz and Randle (2012), Ployhart et al. (2011, 2014) outline the basic principles of human capital. As structural capital (SC) and relational capital (RC) merge into HC, clearly, HC is an integrated part of IC rather than to be treated as separate elements of IC.

Finally, after having redefined the HC concepts and explaining how they have developed, the chapter continues by analysing how HC creates value for the organisation.
6.2.2. Value Creation of HC

The essence of HC is human intellect (Bontis, 1998) which helps organisations acquire a competitive advantage and create value (Prahalad & Hamel, 1994). Following the reconceptualisation of HC as discussed in the previous section, the value creation of HC in the performative approach suggests that the process in creating value is more important than the valuation and measurement of HC itself. In the ostensive approach, the proposition of HC explains how actors create and harness value through the balance sheet (Ratnatunga, 2013) and connect people and their activities to strategic objectives and the resulting impact on business performance (Becker et al., 2001, p. 4). The performative approach is more concerned with how actors develop value, thus focusing on understanding how HC elements are mobilised towards transforming organisational behaviour (Mouritsen, 2006). Organisational behaviour is human behaviour in organisational settings that focuses on social interactions within the groups. Thus, it emphasises how HC creates value for the university through the transformational process of HC in creating personal value, social value, and organisational value as depicted in Figure 25.

The success of value creation depends on two key factors: the value of resources an organisation has at its disposal, and its efficacy in harnessing them (Mayo, 2012). While organisations harness the value input (people, money and technology) to generate desired outcomes for stakeholders, stakeholders and organisation add value to each other, and this value exchange needs to be kept in equilibrium (Mayo, 2012).

HC is a value driver that is able to generate value for the organisation. As previously explained, organisational value is generated from personal value and social value that is embedded in HC and because of structural capital and relational capital which emerges into human capital. The organisational value is created via accumulated social relations, teamwork, networks, tacit-explicit knowledge and culture of individuals, rather than as causal relationships between HC, SC and RC. At individual level, HC is characterised by various capabilities (such as ODL capabilities and multimedia authoring in OUI) and individual
differences (behaviour, commitment, integrity, motivation to work). These individual capabilities and individual differences lead to creating personal value and social value that is embedded and developed in an individual. People also bring their values, beliefs and traditions into the organisation which gradually shapes organisational culture and helps create organisational value. Organisational culture is a key element in many successful organisations (Barney and Clark, 2007). Organisational culture as the third element of HC (Flamholtz and Randle, 2012) and as a source of sustained competitive advantage provides a strong argument for the reconceptualisation of HC as proposed in this thesis.

**Figure 24. Personal Value, Social Value, and Organisational Value of HC**

![Diagram showing the relationships between Personal Value, Social Value, Organisational Value, Human Capital, and Organisational Culture](image)

Source: Mayo (2012) and Flamholtz & Randle (2012). Developed by the candidate

The effectiveness of human capital practices depends on how value is added to an organisation. HC plays a significant role in the development of intangibles and knowledge that promotes value creation (Choo and Bontis, 2002; Lev, 2001; Marr, 2005; Roos and Roos, 1997) through management decisions and activities. As an organisational resource, HC is posited as a knowledge base that can be converted into value (Edvinsson and Sullivan, 1996) and relates to wealth creation through investment in knowledge, information, intellectual property, and experience (Stewart, 1997) that is knowledge capital. As a knowledge-based
institution, the process of creating value in a university depends primarily on its knowledge capital. Knowledge is not only the result of processing information but also comes from experience in which new experiences are the most potent form of acquiring new knowledge. Each person who is involved in problem-solving, experimentation, learning from mistakes, market and environmental change and team projects is enriched through an extension of their existing knowledge base. Knowledge can be expressed visibly and explicitly to become tacit knowledge (such as skills, experience) and explicit knowledge (for example revised processes or manuals of best practice).

OUI attempts to make its tacit knowledge explicit by documenting the system: in other words, transforming knowledge capital into structural capital. Knowledge capital is accumulated from the knowledge of individuals. Explicit knowledge is distinguished from tacit knowledge which cannot be expressed in a way that others can use. Experience produces knowledge that is then used for making future decisions. This is a complex area, intrinsically tied in with personal attributes such as analytical thinking and intuition. This forms the core of an individual’s personal human capital. The way in which the collective tacit knowledge of individuals is harnessed is a critical success factor in a value-creating organisation. I have captured the importance of people sharing their knowledge in daily routines in OUI as most of the works/tasks have been carried out in a teamwork environment. Mobilising people to use their collective tacit knowledge is more important and likely to succeed than attempting to manage it from above. Although making the knowledge available is clearly an instrumental activity, adapting, improving and applying tacit knowledge within teams can lead to greater success and helps sustain competitive advantage. This makes intuitive sense and integrates the concepts of knowledge and social capital which are embedded in HC as previously explained earlier in the chapter.

The way in which HC creates value for the organisation also depends on emotional capital, including employee motivation, commitment, and loyalty and enhances contribution by adding value for other stakeholders. People contribute their personal human capital to an organisation because they believe that they will receive some value in return in varying forms (Mayo, 2001) such as, for example,
self-actualisation, career advancement, self-esteem, social and safety needs, as well as monetary and non-monetary rewards.

At the individual level, the personal value and social value of individuals are relevant in generating economic and financial outcomes. At the unit-level, personal value and social value are accumulated to create organisational value which is relevant not just for financial outcomes but also for value adding and competitive advantage. HC forms a large part of the value of an organisation (Mayo, 2012). Thus, HC is a key factor for a value creation and is the primary basis for the creation of a sustainable competitive advantage (Garcia-Morales et al., 2012). The next section analyses the organisational value adding process.

6.2.3. The Proposition of HC

HC elements are strongly structured in individual sites and only find their meaning in each different organisational situation. The proposition of HC focuses on how HC increases relevance when applied in the specific context of an organisation. The performative case study in OUI improves our understanding of how HC contributes to delivering value-adding outcomes for students through the value adding process.

Various attempts have been made to understand more clearly how HC contributes to organisational performance. From the accounting perspective, seeing value in merely financial terms inhibits deeper understanding. The shortcomings of the present accounting systems that dominate the current business model may even work against the maximisation of value creation. In this performative case study, HC is proposed to be a value-adding process that increases the relevance of HC in an organisational context. HC is posited to be an input and transformer in this process, while value adding is posited to be the outcome of this transformation process. Resource-based theory which focuses on the internal organisation helps to explain the relationship between employees and the organisation. With this theory, HC is an input and transformation agent in the value adding process which utilises the organisational unique resources, activities and capabilities to deliver on the proposed set of organisational values and objectives to attain sustained competitive advantage.
To explain the value adding process, an open university business model (Lambert & Carter in Evans et al. 2013) is adopted in this thesis as detailed in Figure 29. The university business model articulates how the university converts activities, resources and capabilities through a value adding process into economic value (Teece 2010) and competitive advantage (Barney and Clark, 2007).

**Figure 25. Value Adding Process in OUI**

<table>
<thead>
<tr>
<th>Entity: Government, industries, professional bodies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value-adding process: Online, F2F tutorials, Printed and multimedia learning material, Writing assessment/ national exams</td>
</tr>
<tr>
<td>Value in proposition: Accredited degree Flexibility and access</td>
</tr>
<tr>
<td>Value in return: Fees &amp; other funding</td>
</tr>
<tr>
<td>Customer: Students</td>
</tr>
<tr>
<td>Channel: Online, F2F</td>
</tr>
<tr>
<td>Activities: Curriculum development, Assessment and examination Development and maintenance of learning materials A/synchronous consultation for students Online/F2F Tutorials, practical activities</td>
</tr>
<tr>
<td>Resources: IT infrastructure, 24/7 online support for student &amp; academics Virtual &amp; physical classroom to support online/F2F tutorials Physical libraries, e-library, physical offices</td>
</tr>
<tr>
<td>Capabilities: Information system &amp; technology capabilities for staff &amp; students Administration support systems, IT management Multimedia authoring, F2F communication for consultation</td>
</tr>
</tbody>
</table>

Source: Lambert & Carter (2013, p.79). Developed by the candidate

To achieve this mission, OUI has to provide access for people with limitations by offering not only degrees and accreditation but also the flexibility in ODL system. Unlike in traditional universities, the value in a proposition for OUI is therefore, degree and accreditation. The degree programs includes services in the form of education and certification. The programs are offered to students primarily through an online channel in return for fees paid by the students and funding from
the government. The programs involve independent learning which is self-directed learning that is defined, organised and completed by the learner. The Government through the Ministry of Research and Technology is a tertiary education stakeholder that has regulatory control over OUI and provides funding. To ensure the degrees and the flexibility that OUI offers to students are fully accredited and qualified, OUI must be able to maintain the quality of its operational systems, academic products and services, and the qualification of its academics and staff. These activities, resources and capabilities are embedded in the value adding process as explained in Chapter Five.

6.3. IMPLICATIONS FOR THE PRACTICE OF HC IN INDONESIAN UNIVERSITIES

6.3.1. Value Creation of HC in the University: Transforming Knowledge Capital

In OUI and other universities, HC contains the most significant embedded element which forms both structural capital and relational capital comprising knowledge capital, as explained in chapter two. Knowledge capital is the accumulated tacit-explicit knowledge at the organisational level, while at the individual level it is considered to be cognitive knowledge and emotional knowledge. A key consideration is that “knowledge needs a context to exist” (Nonaka et al., 2001, p 499) and universities are entities dedicated to creating, preserving and transferring knowledge to students and society. Tacit knowledge is a key OUI’s resource that has been accumulated throughout 30 years of practice and is being enriched every day. The missions of universities flow through to the missions of teaching and training, scientific research and the promotion of university-society synergies (Sanchez, 2014). Since all of these mission components involve knowledge creation and knowledge transformation processes, a University is a knowledge intensive organisation. Also, universities are by their very nature learning based organisations. They deliver knowledge to students through teaching processes and students acquire knowledge through learning processes. The transition from individual to collective learning and from collective to organisational learning requires some critical functional conditions
that are difficult for most universities (Bratianu, 2010). This thesis argues that three critical conditions need to be fulfilled by universities. Initially, the context or the work environment that involves the higher education system whether it is the ODL system or conventional education system. Then the strategy and control system that balances the tension between strategy, human motivation and organisational objectives. Finally, the leadership and organisational culture in which HC is created and developed. While these three critical conditions context-dependent, knowledge capital embedded in HC is essentially content-dependent (independent variable) which is potentially applicable in other ODL universities and public/private universities.

A university is a knowledge organisation, and knowledge is the basic resource used by academics and students. However, it is difficult to show and measure knowledge as an outcome since it is an intangible. Knowledge is experience, values, contextual information, and expert insights that provides a framework for evaluating and incorporating new experiences and information and is applied in the mind of a knower. In an organisation, knowledge often becomes embedded not only in documents or repositories, but also in organisational routines, processes, practices, and norms (Davenport & Prusak, 2000).

Nonaka and Takeuchi (1995) categorise knowledge into explicit knowledge and tacit knowledge. Explicit knowledge represents the rational part of our knowledge which can be processed and communicated with others. In contrast, tacit knowledge is embedded in personal experience and it is hard to formalise and difficult to communicate to others because it involves intangible factors such as personal belief, perspective, and the value system. For OUI and most Indonesian universities, explicit knowledge plays a minor role in organisational life even though it is the most visible part. The major role is played by tacit knowledge which is highly personal and hard to formalise. This includes subjective insights, intuitions, ideas, values or emotions he or she embraces which is deeply rooted in an individual’s action and experiences. This condition is influenced by the cultural differences applied in organisational and national context as discussed in chapter five (see the analysis about leadership and organisational culture).
For tacit knowledge to be communicated within an organisation, it has to be converted into an articulated language that anyone can understand. Specifically, for knowledge to be made explicit, it must be translated into usable information (Serenko & Bontis, 2004). Socialisation processes in OUI are strongly linked with values of cooperation and team working which are specific to the learning environment (Gersick, 1988). In western culture work and competition between individuals are encouraged, thus, the level of socialisation is reduced, whereas in Indonesia culture, socialisation is very common. In OUI, students are encouraged to have learning groups in the learning centres, and tutors work collectively as a team to deliver programs for students. Even though they teach individually, the learning materials and evaluation are developed collectively (learning instructional design, assignments and assessment/examination). The tutors and academic staff contribute to sharing tacit knowledge in order to deliver learning programs for students. In contrast, individual homework for students as well as individual projects for academics (such as multimedia authoring, doing research) reduces the socialisation process. Thus, universities must find new ways of developing socialisation as part of university education. Socialisation is hard to manage because it is the conversion of tacit knowledge from knowledge at the individual level to knowledge at the unit-level and organisational level. There is a need to cultivate cultural values of trust, friendship and care to overcome the individualism barriers. Only by transcending individual boundaries can socialisation be effective in tacit knowledge transfer.

The knowledge extraction process in OUI is a purely individual process and is a fundamental element of knowledge creation. OUI has documented its tacit knowledge in its system and procedures as developed by the quality assurance centre and reviewed by the international council and national accreditation body. Knowledge generation needs to convert tacit knowledge into explicit knowledge in order to share this resource. Well-documented systems and procedures then become an effective guidance for the employees in running the university’s internal core processes. In universities, externalisation processes are crucial for researchers to formulate their results and to interpret them in new perspectives. Externalisation thus plays an important role especially in postgraduate programs,
where research is essential and the individual experience of students is not so essential. Also, in teaching activities or tutorials associated with undergraduate and master programs, externalisation is an important process for academics in the relevant field. Unlike undergraduate programs, those attending postgraduate programs already have a great deal of professional experience. For them, the structure of the program must contain more activities adequate to promote externalisation activities. However, to develop this process as an organisational capability, and to make use of all the tacit knowledge in the university, it is necessary to stimulate people continuously to make the effort to self-analyse and self-interrogate. The university becomes a learning organisation as the knowledge management practices lead to an understanding of the importance and the benefits of encouraging externalisation in all academic areas and research activities.

In the re-internalisation process, ‘learning by doing’ and teamwork building occur at OUI. The process is a result of social interaction through language (Bratianu, 2010) which is incorporated into HC. While knowledge creation at the organisational level is based on this transformation and knowledge transfer process, knowledge creation at the unit-level is a direct result of a continuous dialogue between tacit and explicit knowledge. One of the knowledge creation processes developed in OUI is eLearning. This technology enables OUI to create customised learning applications. This can include registration or course plans, monitoring progress against learning goals, online classes or tutorials, and examination. The technology enables OUI to reduce the cost of learning significantly as well as increase the capabilities of its students in using technology. Hence, knowledge creation in OUI and universities is a continuous process which involves dialogue, learning by doing and teamwork building between academics and students. These social-relations components embedded in academics and students are considered to be part of social value or relational capital which continues to be developed within OUI.

6.3.2. Leadership and Management of Universities

To improve organisational outcomes, it is necessary to move from an operational management mode of strategic management and leadership. Successful
organisations led by the leaders (formal and informal) succeed in generating greater HC than organisations led by managers. Unfortunately, in universities the debate about leadership is difficult. University management remains a linear top-down process predominantly, and most of the universities still have a significant amount of bureaucracy especially in the case of Indonesian universities.

In OUI, academic management has been practically transformed to now focus more on administration. The nature of OUI as an educational provider rather than as a knowledge resource requires an academic management to take care of office administration rather than to perform duties as an academic. Effective leadership as an academic has been replaced by the requirement to perform duties from a managerialist perspective. From this perspective, the actual university management practices are far from being a strong integrator for the learning process. A department head is elected from within his or her department by a voting process. Thus, all members of a department participate in the election of its head. The dean of faculty is elected by members of the faculty council or faculty senate. The rector of the University is elected by members of the university senate. No election can consider candidates from outside the university. This means that a university is treated as a closed system and the system cannot assure quality and effective management performance due to a lack of external competition. The only way to introduce real and beneficial competition is to open up the university for elections and appointments. This would mean allowing any qualified academics from any university to be eligible for being elected to an academic management position. Such a change to the election process could help leadership and management outcomes and allow processes in OUI to evolve. The competition would have a substantial impact on developing leadership in universities, a basic prerequisite for transforming them into learning organisations.

6.3.3 Value-Adding Outcomes and Competitive Advantage of the University

The notion of value adding is context-dependent and cannot be generalised. For OUI, the value-adding for students is related to whether the value in the
proposition the university offers its students is fulfilled and value-adding process towards outcomes are achieved as depicted in Table 11 below.

The contribution of universities to society is operationalised through the mission of teaching and training, scientific research, and collaboration with university and society (Sanchez, 2014). Thus, value in propositions the university offers should be based on those missions. The significant challenge for universities is then to ensure the excellence and the quality of its operational activities, and the valuable use of resources and available capabilities in achieving those missions beyond the capacity that other universities could achieve. The university is then considered to have effective value adding outcomes if its activities are conducted with a focus on achieving organisational missions and the value of propositions for students are fulfilled.

To provide value-adding for competitive advantage, a culture of excellence should be fostered in universities such as OUI with its a centre of excellence in open and distance education. Thus, a university has to value its potential and identify and improve it. For example, in regards to achieving financial value, this means financing not only the centres that already achieve excellence but those who have the potential to become future centre of excellence. Some factors which potentially increase a university’s demand are flexibility and adaptability in ensuring access to education, ensuring better communication, improving human capital, and increase diversity.

Table 11.
Value in Propositions, Value-Adding Process, and Value-Adding for Students

<table>
<thead>
<tr>
<th>OUI missions (based on government’s missions)</th>
<th>Value in propositions (what OUI offers to students)</th>
<th>Value-adding process (what OUI does to ensure the value in proposition is fulfilled)</th>
<th>Value-adding outcomes for students (what sort of benefits OUI offers to its students which are not offered by other universities)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) To provide access for gaining entry to higher education</td>
<td>(1) The flexibility of the system (OUI offers low tuition cost choices of</td>
<td>(1) Value adding activities (quality of learning program such as</td>
<td>(1) Customised learning programs with low tuition fees</td>
</tr>
</tbody>
</table>
To improve the qualifications of school teachers
(2) Degrees and increased capabilities

F2F and online tutorials, quality of service delivery such as 24/7 consultation for students
(2) Value adding resources (qualified academics and tutors in ODL, quality of the system, quality of learning products such as online resources, e-library)
(3) Value adding capabilities (increased ODL skills such as multimedia authoring and computer literacy)
(3) Choices of assessment/examination system
(4) 24/7 support system
(5) Tutors’ assistance

Source: Developed by the candidate.

Thus, universities have to become learning organisations to adapt to changes in the external environment (Bratianu, 2007). They have to increase flexibility to ensure a high level of education and to respond promptly to the changes in the labour force at the local, national and global level. Education should ensure not only knowledge acquirement but also the creation of certain abilities, such as teamwork and entrepreneurial spirit. In the process of education, technology should also be used. In ensuring broad education access, OUI has provided learning centres in 40 regional offices and 28 countries as well increased educational diversity and mobility through online and face to face tutorials. Diversity in credit systems for previous studies helps to make universities more attractive. Universities have to ensure better communication with the society about the values that they offer and invest more in marketing. Moreover, universities have to improve their human potential since HC is the most important factor for quality in higher education sector. This improvement has to be both quantitative and qualitative by attracting, developing, and retaining talent.
Excellence can be sought in an open and competitive atmosphere and effective mobility and innovation should be encouraged and rewarded. Universities should also retain diversity in regard to the systems, traditions and culture as well as ensure compatibility between local regulations to reduce barriers. Universities should actively develop their human capital and transform this into more valuable resources that have a competitive advantage.

6.4  ADDITIONAL IMPLICATION FOR OUI

The mission of the government to provide education for Indonesian citizens is conceptualised in the OUI mission: to widen access and to improve the qualifications of Indonesia school teachers. While these two missions are being accomplished, OUI continues to deliver its value proposition and value adding to sustain competitive advantage in the future. There are factors to be considered by OUI to develop its HC in order to sustain competitive advantage. These factors are clustered into internal and external factors.

6.4.1 Internal Factors in OUI

One of the implications for OUI is the professional development of staff. The success of universities depends to a large extent on the calibre and commitment of the academic staff. This is embedded not only in their qualifications and experience but also in their continuing commitment to high-quality learning delivery and research. Therefore, professional development for academic staff must be centered on providing them with the opportunity to enhance their teaching skills and to keep abreast of developments in their respective professional disciplines. This results in the development of a culture of scholarship within OUI.

If the question of the enhancement of tutoring skills is addressed first, this entails the university providing, in equal measure, continuing education in the theory of learning and teaching as well as the practice of learning and teaching. Also, committed tutors, while effective as practising tutors, seek to understand the theoretical basis that underpins that effectiveness. Provision of opportunities to enhance staff members’ knowledge and understanding in their academic discipline and to contribute to knowledge and understanding in their discipline is
vital. One important activity for staff members to not only embrace but also to transmit to students the importance of research and research method.

There are programs designed to support the professional development of academic staff and support staff. OUI’s approach to professional development is to draw on both internal and external sources of expertise to lead workshops and seminars and also to encourage staff to attend and present at national and international conferences. OUI provides the opportunity for its academic staff to participate in professional learning on topics such as instructional design and multimedia authoring. OUI also provides opportunities, not limited to academic staff, to apply for study time and financial assistance for study relevant to their current and future role. For supporting and administrative staff, staff development is enhanced through mentoring and job rotation. Each member of academic staff satisfies the professional development program by attending/presenting at workshops/seminars/conferences and by so doing are awarded continuing education ‘points’ on an annual basis. The final decision on the structure of the points system is made after extensive consultation with academic staff. As part of each staff member’s annual performance review, supervisors will sight the staff member’s record of participation in professional development programs and a higher weighting of points will be allocated to staff, for example, who either present at a conference and/or who have a paper published in conference proceedings.

Related to professional development of its staff, OUI also needs to provide the opportunity for academic staff to apply for release from academic and other duties to concentrate on research that is aligned with the university’s strategic research objectives. While academics are bounded with ‘an office-like’ set of working conditions following the government regulation for the civil servants, the academics do not have enough time and space to focus on research. Consequently, OUI needs to provide an opportunity for the academic staff returning from their studies to act in a position of higher classification and compensate them with a higher duties allowance than the academic staff who hold structural managerial positions in the university. Recently, the government has released a regulation aimed at eliminating administrative paper work for academics, thus, enabling academics to focus more on their research (25 June, 2016)
Another possibility involves maximising human components potential through collaborative decision making processes (teamwork). There are factors at the organisational level and through individual contribution that help to maximise human capital potential through teamwork. At the organisational level, recommendations about characteristics of teamwork refer to relatively stable procedures of coordination and control. OUI needs to have a clearer vision which encompasses their underlying values and is made explicit through mission statements or by particular assumptions or behaviour. Mission statements are communicated and synchronise these shared values across the organisation thus engaging and motivating individuals to be involved in collaborative decision making processes. As team members participate in setting and prioritising goals, they better understood the task requirements and are more motivated to achieve such outcomes. The more complex and dynamic team’s task, the more effective leaders are needed. Leaders (formal and informal) need to maintain a strategic focus to support OUI’s vision, facilitate goal setting, and evaluate achievements. Teams require the right number of members with the appropriate mix and diversity of task and interpersonal skills, thus, achieving a balance between homogeneity and heterogeneity of members’ skills, interests and backgrounds. OUI also needs to provide teams with adequate financial resources, administrative, technical support and professional education. Thus, clear missions, appropriate culture, specified tasks, distinct roles, suitable leadership and adequate resources are involved to develop human capital potentials through teamwork.

Individual contribution in teams which requires self-knowledge, trust, commitment and flexibility are also important to develop human capital potential through teamwork. Each individual brings to the team a unique personality and position which reciprocally affects team function. In OUI and universities in general, personal and professional self-image, professional expectations and an understanding of colleagues’ skills and responsibilities are the most influential in team members understanding and interacting with each other. Trust must also be slowly built up across team members who have different competencies, assumptions and priorities to increase capacity for individual learning. Further, commitment to a unified set of team goals and values provides direction and
motivation for individual members as well as increasing feelings of responsibility for and participation in the team’s work. Also, flexibility by individuals is needed to accommodate different personal values and be receptive to the ideas of others.

However, collaborative decision making process could be problematic in OUI and universities when academics’ opinions are rewarded very differently from those of other team members. Teams need to harness the variety of membership skills and minimise the differences, to ensure that expert skills and knowledge are well utilised. Thus, the performance management system, which balances the more traditional individual reward systems with team-based incentives that are contingent upon the whole team’s performance and emphasise co-operation rather than competition is recommended. More importantly, good social relationships amongst team members must be maintained through reliable communication channels across team boundaries as well as coordination and cohesion within team members.

6.4.2. External Factors Facing OUI

Changes to the ODL system have been made in response to government policies to the more open ODL market. Since it was first founded, OUI has been the only open and distance university in Indonesia serving more than half million Indonesian students across the country and in other countries. Based on government regulation (President decree Number 41, 1984), OUI is the only higher institution which has qualifications as an open and distance university in Indonesia. However, regulations do now allow other higher education institutions to conduct programs of studies either purely in an ODL system, in a face-to-face and ODL combination model, or in a consortium model either with local or international universities. As a result, many traditional model universities in Indonesia, even state universities, now have distance learning programs. In 2015, the government released a regulation to formalise the ODL system to be adopted by other universities in Indonesia (Number 109/ 2013). The government policies to open up the ODL market has implications for competition and sustaining competitive advantage in a massive open ODL market. Consequently, OUI needs enhanced strategy agility and adaptation to combat new market entrants coming
into ODL as well as holding on to the current valuable human capital which potentially may be acquired by the new entrants to ODL.

Studies (Lieberman et al., 1988; Varadarajan et al., 2014) show that in most cases, being first to the market provides a significant and sustained market-share advantage over later entrants. Still, later entrants can succeed by adopting distinctive positioning and marketing strategies. OUI, which is a pioneer in ODL system, has reached the status of an entrenched incumbent, thus, is in a powerful position. However, OUI has to cater to the growing and shifting demands of the new marketplace. New entrants can take advantage of gaps in the offerings of this pioneer, or find innovative ways to market their own program of studies. OUI with a distinctive presence in the ODL market needs to be in a position to react effectively, or even better, anticipate potential entrants and increase the barriers to their entry. For example, OUI may be in a position to dominate the market, offer the lowest cost and provide better technology compared to other providers. Nevertheless, regarding value in proposition and value adding for the students, OUI needs to continue to improve its products and services to sustain this competitive advantage.

6.5. CONCLUSION

This chapter has analysed implications for theory and practice of HC in the university. Utilising the performative approach of HC in this case study, HC is reconceptualised. First, in the conceptualisation of HC, HC is formed by the introduction of the three elements: personal values (HC), social values (RC) and organisation value (SC). HC not only generates SC and RC but is also embedded in SC and RC, thus, the thesis supports the argument that HC is an integrated element of IC rather than as separate entities of IC. Second, in the value creation of HC, HC balances individuals’ motives and organisational objectives to create personal value, social value and organisational value. Personal value is individual capabilities, social value is social relations and networks, and organisational value is organisational culture. This thesis supports the argument that in order to create value, HC needs to balance the personal value, social value and organisational value to be kept in equilibrium (Mayo, 2012). Third, in the proposition of HC, the
case study finds that HC impacts OUI’s performance by placing HC in value-adding processes to ensure that enhanced learning is attained by the students. HC is an input and transformation agent that translates value-in proposition into outcomes for stakeholders through the value-adding processes involving organisational activities, resources and capabilities.

This thesis also has implications both for HC practice and OUI. The case study provides three major implications for HC practice. First, ODL capabilities (HC) and teamwork and leadership (RC) are dominant in OUI to actuate OUI’s internal core processes and shape OUI’s organisational culture (SC). These elements are the potential for generating value-adding for OUI. Second, Strategy and control system applied in OUI is significant for HC to balance individual motives and OUI’s objectives utilising the resources and capabilities (ODL system, leadership and OUI’s culture) to create value for OUI. Third, The contribution of HC to deliver OUI’s proposed sets of values is operationalised by making OUI a centre of excellence in ODL including collaborative research with other ODL institutions, and collaborative programs within and across the community. To provide value-adding for competitive advantage, a culture of excellence is fostered in OUI with its a centre of excellence in open and distance education by ‘developing’, ‘value creating’ and ‘delivering’ its potential.

The case study also provides two important implications for OUI that are impacted by internal factors and external factors. In order to achieve its mission, OUI continues to deliver its value proposition and value adding to sustain competitive advantage in the future. Thus, continuing professional development of staff is important since the future success of universities depends on the calibre and, to a large extent, the commitment of the academic staff. Also, the internal core processes such as the performance and rewards system which ensures that the collaborative decision making process in OUI is properly managed. In order to response to government policies to the more open ODL market, changes to the ODL system have been made. OUI needs enhanced strategic agility and adaptation to combat new market entrants coming into the ODL field as well as retaining the current valuable human capital which potentially may be poached by the new entrants to ODL.
CHAPTER 7 – CONCLUSION: THESIS CONTRIBUTION, LIMITATION, AND FURTHER RESEARCH

7.1. INTRODUCTION

This chapter concludes the thesis by relating the research questions, performative approach to HC and theories related to ICAR and strategic management as depicted in Table 12 below. This chapter has three main parts. The first is to relate how the thesis achieved its primary research objective and research questions. The second part highlights the contribution of this thesis to HC practice in the university and the intellectual capital accounting field. The final part identifies limitations that need to be acknowledged in this thesis related to research methodology.

This thesis justified why HC is important, why HC research using a performative approach is needed and why a case study of an Indonesian university is a good approach to answering the research questions. This thesis utilised a performative case study of ICAR in the public sector in a country specific context (Guthrie et al., 2012; Dumay et al., 2015). The shift of economies from tangibles to intangibles has impacted accounting research. Current accounting frameworks with a historical focus cannot capture the importance of HC as organisational assets. Also, the ostensive approach mainstream which focuses more on measurement and causal relations cannot tell us how HC is developed, creates value and delivers value that contributes to organisational performance. Meanwhile, the conceptualisation of HC, value creation of HC and proposition of HC utilising the performative approach to HC research (Mouritsen, 2006; Broadker, 2010) attempts to fill the gap in the literature. While IC frameworks are limited, the growing interest in HC has extended to the public sector including universities as highly knowledge-based and technology-based institutions. This indicates that current traditional accounting systems have not been able to meet the informational requirements of organisational leaders in the HC and IC fields. Meanwhile, measuring HC and other intangibles using the top-bottom approach (ostensive) is problematic and complex because each organisation is unique (Dumay, 2014). Aligned with the performative approach to HC research, a
performative case study is a useful methodology for investigating the practice of HC inside an organisation to investigate the research problem.

The data was gathered using semi-structured interviews and observations (including direct observations, netnography and auto-ethnography) and then analysed by following the three streams of the performative approach: the concept of HC, the value creation of HC and the proposition of HC. In addition, the massive open online courses (MOOCs) and open and distance learning (ODL) system that enable a university to acquire a large number of students, are a significant part of the economy. OUI, the only ODL university in Indonesia, currently has half million of students (UT, data as of September 2016) and 10% of the total number of Indonesia tertiary students (DIKTI, 2014). The characteristics of the ODL system and the context of the higher education sector in Indonesia are the reasons to utilise the case study of OUI as a way for the study be conducted in order to answer the research questions posed in this thesis. Therefore, a performative case study to IC research was employed locating HC practices in OUI - an ODL university in Indonesia.

7.2. APPROACHES TO ANSWER THE RESEARCH QUESTIONS

This thesis investigated human capital (HC) practice in a university about the development of HC, creating value and delivering value-adding outcomes for the university’s stakeholders. OUI had been the only university in Indonesia adopting an open and distance learning (ODL) system. Recent education reform and government regulations in Indonesia have now placed OUI in a very competitive market. These conditions have raised tensions between current resources capabilities (human capital) available, educational services provided and value-adding outcomes delivered to university’s stakeholders. This has raised three major research questions in this study: 1) What elements of HC are embedded in OUI, 2) How HC creates value for OUI, and 3) How HC contribute to deliver value-adding outcomes to OUI’s stakeholders.

To answer the research questions, the research questions were synthesised into sub-questions and interview questions based on the three major topic of performative human capital: conceptualisation of HC, value creation of HC, and
proposition of HC. The interview questions comprised several open-ended questions and were designed to elicit information from participants (Table 9). The interviews were divided into two sessions. Session one was interviews related to a pilot Delphi and interviews with senior management to enhance the final set of interview questions. After the first phase of interviews, the interview questions were refined further, and other non-scripted spontaneous questions were added as the research proceeded. Session two consist of interviews with staff including external tutors who were involved in the internal core processes of OUI. Session three involved interviewees with external stakeholders including students, government officials, assessors and local employers. The interview questions addressed general experiences, individual and organisational beliefs, attitudes and values, and critical incidents about human capital practices in OUI to gain insights into how HC contributes to the university. The identification of key themes, interpretation and analysis of the responses from the questionnaires were reported in chapter four and analysed in chapter five. The research questions resulted in:

1) identifying a set of elements of HC that have been embedded and developed which influence human capital practices in OUI, which the candidate argues are unique to the ODL and Indonesia context.

2) identifying and analysing a set of factors related to the ODL system, strategy and control system, leadership and organisational culture that contribute to strategic direction and management of OUI, which the candidate argues is a rare combination of resources that create value for OUI.

3) identifying and analysing a set of key dimensions that define the value-adding processes (activities, resources and capabilities), which the candidate argues as inimitable processes to deliver value-adding outcomes for OUI.

Align with the performatively approach of HC in this thesis, thus, the first research question was focused on ‘development’ of HC; the second research question focused on ‘value creation’ of HC and the third research question focused on ‘delivery’.
Table 12. Summary of Performative Approach of HC Research and Contribution of HC Research

<table>
<thead>
<tr>
<th>Research Questions</th>
<th>Research Findings</th>
<th>Research Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>RQ1: What are the elements of HC embedded in the practices of the OUI?</td>
<td>HC refers to as people who potentially create value for organisation. As OUI has positioned itself as an education provider rather than as knowledge resource, HC in OUI is all employees including academics, specialist and administration staff. At the individual level, HC is individual capabilities that comprises of behaviour, skills, expertise, qualifications and experience, social relations and network, capability as well as organisational culture. However, not all individual capabilities can perform ‘capital’ for the organisation. At the unit-level and organisation level, the individual capabilities, which are most dominant (e.g. ODL capabilities and teamwork), are then accumulated to form SC and RC. ODL capabilities (HC) and other social capabilities (teamwork, leadership, social relations and networks) are integrated to form RC. HC and internal core processes (ODL system and the 3 major functions of HC) are also integrated to form SC. Organisational culture is structural capital (SC) and the third element of HC that forms organisational value. These elements are embedded in HC practice in OUI.</td>
<td>Contribution for HC Theory: HC not only generates SC and RC but is also embedded in SC and RC, thus, the thesis supports the argument that HC is an integrated element of IC rather than as separate entities of IC.</td>
</tr>
<tr>
<td>RQ2: How does HC create value for OUI regarding the contribute of HC to the strategic direction and the management of OUI?</td>
<td>The role of HC is central to create value for OUI. The elements of HC including SC and RC are embedded in HC to create personal value, social value and organisational value. The ODL system is designed to accomplish the</td>
<td>Contribution for HC practice: ODL capabilities (HC) and teamwork and leadership (RC) are dominant in OUI to actuate OUI’s internal core processes and shape OUI’s organisational culture (SC). These elements are the potential for generating value-adding for OUI.</td>
</tr>
</tbody>
</table>
Performative approach to understand how HC elements create value for OUI by identifying factors related to OUI’s work environment:
1. The open and distance learning (ODL) system whereby HC through its activities-resources-capabilities translates OUI’s mission into SC and RC to create personal value, social value and organisational value.
2. Strategy and control system (the strategy/objective) whereby HC balances the tensions of individuals and the organisation to generate RC and SC to create social value and organisational value.
3. Leadership and organisational culture (the people) whereby HC converts personal value embedded in individuals to create social value and organisational value.

The open and distance learning (ODL) system aims to ensure OUI delivers enhanced learning. While leadership and organisational culture direct individual motives to achieve the targets. Thus, the value creation process in OUI is a continuous process whereby OUI’s stakeholders add value to each other and this exchange value needs to be kept in equilibrium.

Organisational mission. The strategy and control system aims to ensure OUI delivers enhanced learning. While leadership and organisational culture direct individual motives to achieve the targets. Thus, the value creation process in OUI is a continuous process whereby OUI’s stakeholders add value to each other and this exchange value needs to be kept in equilibrium.

The value creation of HC

Organisational value

HC

Personal value

Social value

Contribution for HC practice:
Strategy and control system applied in OUI is significant for HC to balance individual motives and OUI’s objectives utilising the resources and capabilities (ODL system, leadership and OUI’s culture) to create value for OUI.

Organisational value

organisational culture. This thesis supports the argument that in order to create value, HC needs to balance the personal value, social value and organisational value to be kept in equilibrium (Mayo, 2012).
RQ3: How does HC contribute to delivering OUI’s proposed set of values for its students?

Performative approach to understand the processes of HC to deliver OUI’s value in propositions and contribute to the outcomes by
1. translating the notion of performance and value-adding according to OUI’s mission and strategic directions
2. utilising an open university business model and synthesising the processes into value-adding activities, resources and capabilities
3. mapping the potential threats and opportunities to embrace strategies.

OUI has adopted strategies by embracing its ‘value in proposition’ and improving its ‘value-adding process’ to deliver its ‘value-adding outcomes’. Embracing ‘flexibility and access’ in addition to ‘accredited degree programs’ as the ‘value in propositions’ that OUI offers and is carried out based on the determined missions ‘making higher education open to all’. OUI ensured flexibility and access to education by ensuring better communication, improving human capital, and increasing diversity. The value-adding process could be improved by ensuring the quality excellence of its operational activities; enhancing resource (technology, system, networks and organisational culture) that support its activities; and improving human resource capabilities that create value for OUI and its stakeholders. These value-adding processes involving activities-resources-capabilities of HC that in turn generate enhanced learning with ODL capabilities as learning outcomes for students who study at OUI. These unique capabilities perceived by OUI’s students are value-adding outcomes for OUI to attain competitive advantage.

Contribution for HC theory:
HC is an input and transformation agent that translates value-in proposition into outcomes for stakeholders through the value-adding processes involving organisational activities, resources and capabilities.

Contribution for HC practice:
The contribution of HC to deliver OUI’s proposed sets of values is operationalised by making OUI a centre of excellence in ODL including collaborative research with other ODL institutions, and collaborative programs within and across the community. To provide value-adding for competitive advantage, a culture of excellence is fostered in OUI with its a centre of excellence in open and distance education by ‘developing’, ‘value creating’ and ‘delivering’ its potential.

Source: Developed by the candidate
7.3. RESEARCH FINDINGS

This thesis generated three major findings. Firstly, the elements of HC embedded in OUI comprise the structure (people and component), level and function. As the role of OUI in ODL is one of an educational provider rather than a knowledge resource, HC in OUI is not only academics but also specialists and administrative staff. Therefore, HC must be analysed at the organisational-level and through organisational analysis to achieve organisational performance and attain competitive advantage. Secondly, HC creates value for OUI through the emergence of structural capital and relational capital. This thesis has identified the factors related to the work environment that enables OUI to succeed. The work environment factors embedded in HC includes the ODL system (ODL capabilities, flexibility, access), control system and organisational culture (teamwork, leadership) that contribute to creating value for OUI. These factors such as structural capital and relational capital of IC merge into HC. Thirdly, HC delivers its proposed set of values and value-adding outcomes to stakeholders through a value-adding process involving value-adding activities, value-adding resources, and value-adding capabilities. This value-adding process is embedded in OUI’s internal core processes. Since the values of openness and lifelong learning are employed, ‘duration of study’ is the only factor that cannot be considered to be a performance indicator of OUI. To sustain a competitive advantage, OUI must utilise its knowledge resources (ODL capabilities, ODL system and organisational culture) as a strategic asset. Thus, to increase the relevance of HC to be applied in the specific context of ODL universities and Indonesia universities, HC was then reconceptualised.

Reconceptualisation of HC to be applied in the OUI and ODL context was carried out by utilising a performative case study to HC research. Three major themes of performative approach to HC were employed to help the candidate to answer the research questions. These major themes are conceptualisation of HC which focused on the development of HC, value creation of HC, and the proposition of HC which discussed how HC is involved in the delivery process to result in value-adding outcomes. To help the candidate to answer the questions, the data was
collected from interviews, observations (including netnography) and auto-ethnography. The interview responses resulted in thirty-four codes in a coding system (in Table 8) and were synthesised into the five key themes to provide insights into HC practice in OUI. These five key themes are human capital, open and distance learning system, strategy and control system, leadership and organisational culture, and performance and value-adding. The identification of these five key themes was then grouped into three major themes of the performative approach to HC research.

7.3.1. The Element of HC in OUI (RQ1)

The first research question (RQ1) “What elements of HC are embedded in OUI?” was answered by following the first theme of performative approach: the conceptualisation of HC. In order to answer RQ1, the research question was synthesised into sub-questions following the conceptualisation of HC: “What comprises HC?” “Where is HC located?” and “What HC functions are embedded in practice and how do these work?”. The conceptualisation of HC focuses on the questions about HC elements are to be understood and analysed. Thus, HC was analysed based on the structure of HC (people and the components of HC), the levels of HC, and the function of HC. Mayo (2012) and Flamholtz and Randle (2012) synthesised the people and component of HC, whilst Ployhart et al (2014) deconstructed HC into structure, level, and function. Framing these theories, this section summarised the answer of the first research question.

HC in OUI is considered to be the academics, specialists and academic support, as well as the external tutors who work casually for OUI. Academics and tutors are considered to be the most vital asset for the university. However, the roles of specialists and academic supports are also significant. Academics and tutors create value for OUI through delivering learning activities, developing learning and assessment resources, and enhancing capabilities such as multimedia authoring and instructional designing. Specialist and administration staff create value for OUI through supporting round the clock consultation for students and helping to produce and deliver learning and assessment resources. Their respective roles in accomplishing OUI’s mission and objectives are significant.
These groups of academics, tutors, specialists and administration staff are considered to be the prime human capital of OUI. They become the principal basis for achieving economic outcomes, organisational performance and competitive advantage (Spender & Marr, 2005; Ployhart et al., 2014).

From the perspective of Intellectual Capital Accounting, HC is a sub-element of IC that includes human capital (HC), structural capital (SC), and relational capital (RC) (Edvinsson & Malone, 1997; Roos et al., 1997; Stewart, 1997; Sveiby, 1997). However, under current accounting system, the concept of HC as an “asset” is weak because HC cannot be owned by the organisation, for example, due to employee turnover and retirement. While IC literature posits HC as the most valuable asset for an organisation (Mayo, 2012), the concept of HC as asset that creates value is contested because the relationship between HC and other elements of IC is weak. Chiucchi and Dumay (2015) have suggested that to enhance meaning, HC must be treated as an integrated part of IC rather than as distinctly separate elements of IC.

Mayo (2012) argued that HC consists of personal values embedded in a person and social values embedded in people in their role as part of social structures. Personal values include behaviour, skills, competencies, knowledge, experience. Social values are social capital, relationships and networks. In OUI, integrity and job commitment are considered to be the most important behavioural aspects to be embedded in all OUI staff. These variables are key indicators in the performance and rewards system as depicted in Appendix 7. Work commitments in OUI are developed based on teamwork and social relations. The social relationships amongst staff are robust and are consistently applied in most working situations to get tasks completed. Bottom-up leadership has also emerged in OUI, for example, in developing programs and budgets as well as in determining individual performance targets. The ODL related capabilities such as multimedia authoring and instructional design, are embedded in HC and developed effectively in OUI. Flamholtz and Randle (2012) posit that corporate culture, the third elements of HC, is the ultimate strategic asset in an organisation that forms HC. Organisational culture is an ‘asset’ that can impact on earnings or financial outcomes (Flamholtz, 2005).
The capabilities of HC in OUI is then accumulated from the aggregation of capabilities of the individuals that lead to economic outcomes as well as capabilities at the organisational level that leads to organisational performance and competitive advantage. Consequently, in order to achieve the targeted level of performance and attain competitive advantage, the function of HC embedded in the internal core processes of OUI is an essential component. The functions of HC are conducted through a combination of the recruitment system (acquisition of HC), the training and career development system (developing HC), and the performance and rewards system (retaining HC). Thus, this thesis clarified that the components of HC are comprised of personal value, social value and organisational value (Mayo, 2012; Flamholtz & Randle, 2012). While personal value is considered as HC, social value is considered as RC and organisational value is considered as SC. Thus, these three are considered to be the elements of HC.

To conclude, the concept of HC as integrated elements of IC in this thesis applies. OUI has positioned itself as an education provider rather than as knowledge resource. Thus, HC in OUI is all employees including academics, specialist and administration staff. Key themes of multimedia authoring and other ODL capabilities, teamwork, bottom-up leadership and organisational culture are dominant and are a core part of OUI’s internal core processes. ODL capabilities form personal value (HC). Teamwork, leadership, social relations and networks that form relational capital (RC) are the second element of HC that constructs social value. Organisational culture is the structural capital (SC) and the third element of HC that forms organisational value. These components result in value-adding outcomes for OUI stakeholders through OUI’s internal core processes (HC function) from acquiring, developing and maintaining HC.

7.3.2. The Value Creation of HC in OUI (RQ2)

The second research question (RQ2) is how does HC create value for OUI through the strategic direction and the management of OUI. In order to answer RQ2, the second theme of performative approach ‘the value creation of HC’ was used. The research question was synthesised into several sub-questions: “What are
the strategies and plans that OUI has adopted to achieve the objectives and develop/strengthen its HC?” “What sort of control system was applied in achieving these targets?” and “What is the role of HC in influencing the leadership and organisational culture in OUI?”. The value creation of HC attempts to answer the questions of how actors (HC) develop value for organisation (and how they draw on HC to do this). The task is to understand how HC elements (from RQ1) are mobilised towards transforming organisational behaviour. Resource-based theory (Barney, 1991; Barney and Clarks, 2007), levers of control theory (Simons, 1999), and leadership and organisational culture theory (Schein, 2010) were utilised to answer these questions.

Based on the conceptualisation of HC as previously explained, HC consists of personal value, social value and organisational value. To understand how HC elements create value for OUI, this thesis identified factors related to work environment that determines how OUI results in value-adding outcomes for stakeholders. These factors are the Open and distance learning (ODL) system (the system), strategy and control system (the strategy/ objective), and leadership and organisational culture (the people). The ODL system is designed to accomplish the organisational mission. The strategy and control system aims to ensure OUI delivers the enhanced learning. While leadership and organisational culture are HC (the people) that direct human motives to achieve the targets. Thus, the strategies that OUI has adapted to achieve its objective emphasised the control system that balances the tensions that arise in order to align strategic direction and business strategy, and human behaviour.

The levers of control (Simons, 1995) was used in this thesis to explain how the managers enact a balancing act between strategic direction and the human behaviour to drive strategic renewal. The strategy and control system in OUI has multiple controls. This is a mixture of the belief system, boundary system, diagnostic system and the interactive system. The belief systems and boundary systems are both intended to motivate employees to search for new opportunities. The belief system does so through inspiration and motivation while the boundary system does so through the constraint of behaviour. OUI communicate beliefs through a mission and vision statement “making education open for all” and
boundaries through a code of conduct. The personnel administrative system is one of the examples that requires OUI’s staff as government employees who provide services to the public to follow government regulations. In some cases, a code of conduct, such as forty-two working hours in campus, may be contra-productive with the nature of university as a research institution that promotes academic freedom. Diagnostic systems in OUI are used to communicate and monitor critical success factors. This includes tutorials and examinations, monitoring and evaluation, quality assurance, internal control system, BAN-PT accreditation and ICDE (International Council for Distance Education) review. Also interactive systems are used to encourage innovative behaviour. As part of an interactive control system, for example, university-level meetings led by the Rector or Vice Rector and team/unit-level meetings led by the Dean or Manager are used to discuss strategic uncertainties. The mixture of control systems is then directed by the leaders and organisational culture is then embedded in practice to deliver the organisational objectives. Therefore, the role of HC in influencing the leadership and OUI’s organisational culture towards OUI’s objective was carried out through balancing the control system, strategy and human motivation.

The value creation of HC is related to the process that creates financial value but the path is conceptualised differently. While the ostensive approach focuses on ‘value of HC’, the performative focuses on ‘the process’ of creating value to become a resource in the future. The value creation process of HC focuses on internal organisation and explains the relationship between employee and the organisation. I have argued that the value of resources HC is the input and transformation agent, while value adding is the outcome of the transformation process. The value creation process utilises the organisational unique resources and capabilities to attain sustained competitive advantage. This value creation process of HC is consistent with Lynn (1998) to consider the value-added by the services they are performing now, have performed in the past and their potential for the future.
7.3.3. The Contribution of HC to Deliver Proposed Set of Values to OUI’s Stakeholders (RQ3)

The third research question (RQ3) is how HC can help OUI to deliver on OUI’s proposed set of values and contribute to the outcomes (value adding for students). This was answered by utilising the third theme of the performative approach: the proposition of HC. In order to answer RQ3, the research question was synthesised into three sub-questions: “What level of performance does OUI need to achieve?”, “What value-adding outcomes does OUI need to provide?”, And “What strategies does OUI need to sustain a competitive advantage?”. The proposition of HC answers how HC increases relevance when applied in the specific context of an organisation. Resources based theory (Barney, 1991) and an open university business model (Lambert and Charter, 2013) were utilised to answer the question as depicted in Table 12. To understand the processes of how HC delivers OUI’s value in propositions and contributes to the outcomes, has involved translating the notion of performance and value-adding according to OUI’s mission and strategic directions; utilising an open university business model and synthesising the processes into value-adding activities, resources and capabilities; and mapping the potential threats and opportunities to embrace relevant strategies.

First, there was a consensus that ‘performance’ refers to the degree of OUI’s achievement in realising its goals and mission. There are four primary factors in determining OUI’s performance: the ability in providing access to quality higher education, the capability in producing quality graduates, the capability in producing quality academic programs and learning material as well as the capability in producing academics and operational systems. The level of performance then determined whether OUI has met the standard requirement of internal audit for administrative system (SPI), internal academic quality assurance system (Simintas), accredited national body for higher education (BAN-PT) and international reviewers (ICDE and AAOU). The role of the control system is important to balance these functions. Unlike the rest of the conventional higher education system, OUI adopts a philosophy of openness and lifelong learning. This means that the ODL system does not recognise students drop-outs, thus, time completion is not a performance indicator for OUI.
Second, as an ODL university, what constitutes value-adding outcomes for OUI is the enhanced learning outcomes resulting from prescribed learning activities. Value-adding refers to the addition of features to a basic product and service that has been provided by OUI to its students which students do not acquire from other providers. Value-adding outcomes are achieved through value-adding processes which transform HC as an input and transformation agent in this process. Learning outcomes represent what is formally assessed and accredited to the student. Learning outcomes such as knowledge outcomes, skills-based outcomes, and personal competencies are expected to result from OUI’s students experience in the ODL content. OUI students have a better level of ability to apply knowledge and substantive materials gained from learning activities into practice because ninety percent of OUI’s students already have work experience when they study. As ODL students study in an e-learning environment, OUI students have better opportunities to engage in technology-based learning processes than those who study in conventional universities. OUI students tend to have better personal outcomes because students are more actively engaged in learning activities remotely. In many remote areas, they often have limited support such as electricity supply and internet access, and many of the students have job and family commitments. In this case study, employers have found that ODL students have better interpersonal skills and organisational skills of various kinds. They are more independent, resilient, and focus on problem-solving and are likely to be more successful in their chosen careers.

Third, to identify strategies to sustain a competitive advantage, potential threats and opportunities were addressed. OUI has gained a competitive advantage by being the only ODL university since it was first founded until the government issued new policies. The regulation changes have brought significant change to OUI because the new regulations enable conventional universities to implement online-based programs across the country. In effect, OUI no longer holds the unique position of being the only ‘flexible in learning’ and ‘open access to education’ provider in the ODL system. In this more competitive market, OUI needs to adapt to a very competitive market by changing strategies, structures, boundaries and expectations of staff (Cameron & Green, 2015). As an ODL
university, HC is a strategic asset and critical to OUI’s value that provides true competitive advantage. Unlike other conventional universities, HC in OUI is a valuable resource because HC has unique capabilities such as multimedia authoring, online tutoring and online consultation service for students. Innovation is also a source of competitive advantage. As an ODL university, OUI has a centre of excellence in ODL including collaborative research with other ODL institutions, and collaborative programs within and across the community. OUI has also developed its HC and supporting systems to become one of the leading ODL universities in innovation in online-based learning. The role of HC in designing and creating such innovations is another source of OUI’s competitive advantage and is, therefore, critical to future success.

Considering these potential threats and opportunities, OUI attempted to adopt strategies by embracing its ‘value in proposition’ and improving its ‘value-adding process’ to deliver its ‘value-adding outcomes’. Embracing ‘flexibility and access’ in addition to ‘accredited degree programs’ as the ‘value in propositions’ that OUI offers is carried out based on the determined missions ‘making higher education open to all’. OUI ensured the flexibility and access to education by ensuring better communication, improving human capital, and increase diversity. The value-adding process could be improved by ensuring the quality excellence of its operational activities; enhancing resource (technology, system, networks and organisational culture) that support its activities; and improving human resource capabilities that create value for OUI and its stakeholders. To provide value-adding for competitive advantage, a culture of excellence is fostered in OUI with its a centre of excellence in open and distance education by ‘developing’, ‘value creating’ and ‘delivering’ its potential.

7.4. CONTRIBUTION OF THE RESEARCH FOR OUI

The contribution of this performative case study research for OUI was how the HC practices related to its processes, control and performance. Siggelkow (2007) argued that the use of a case study in this way provides valuable insights as it provides concrete examples of constructs and offers the opportunity to get closer to theoretical constructs and the relationships. Using this approach, the thesis has
responded effectively to Dumay’s call for expanding the HC research agenda in the public sector and universities.

The main contribution of this thesis was the adaptation of a university business model into an open university business model. This model showed the process of how HC acted as an input in the transformation process through a value-adding process involving activities, resources and capabilities. HC was developed through the role of HC function in OUI’s internal core processes: the recruitment system, training and development program, and performance management system. HC then created value-adding for students by ensuring the activities were effectively carried out, the resources were optimally utilised and the human resources capabilities were placed in the right positions. These processes enable HC to deliver its value in propositions thereby resulting in value-adding outcomes. The conceptual linkages between HC and value-adding in the Open University business model were illustrated using interview evidence, participant observations and archival data from a single case study.

The second contribution came from the interview results in regard to the performance and reward system in OUI. The case study found that most of the employees are not satisfied with the reward earned when this is related to performance. There is a significant gap in the remuneration system between staff and those who hold managerial positions. While every person has a job description, the managers most likely leave the tasks to their subordinates because he/she must do the more important tasks at a higher level in the organisation. Under these circumstances, the subordinates perceived that they were treated unfairly. The responsibilities increase but not the rewards, because the reward system is fixed. The second issue is related to the function of academics. As the take home pay is fixed academics can refuse to do additional tasks related to tutorial classes. This condition forces the faculties to outsource the job to external tutors to do these required tasks. There is a lesson to be learnt from this situation: the performance and rewards system needs to be improved in order to maintain a healthy working environment and to achieve the expected organisational performance.
The third contribution was related to the control system applied in OUI. The monitoring and evaluation system in OUI includes sending staff to learning centers for monitoring tutorial programs and examinations. However, most of the reports that resulted from staff doing the monitoring activities were neglected without any significant changes in dealing with the ongoing issues. Therefore, it is recommended that OUI to ensure that the monitoring and evaluation system is carried out effectively and efficiently in order to achieve the targeted organisational performance.

7.5. LIMITATIONS

Despite the contribution in analysing the HC practices in OUI, this thesis also has limitations that are related to case study research, the performative approach and data collection. When I first became interested in case study research for this thesis, I was trying to understand how personal value, social value and organisation value are embedded in HC and create value for OUI. A case study seemed to be the most effective approach to understanding the complex issue of HC and to help answer my research questions. Case study research also has its critiques. First, a case study cannot be generalised while social science is often about generalising from data. Second, a case study may suit pilot studies and help to generate hypotheses; that is in the first stage of a total research process, whereas other methods are may be suitable for hypotheses testing and theory building. Third, a case study is subjective and may give too much scope for the researcher’s interpretation and may contain a bias toward verification.

Another limitation of this study is that the sample participants were limited to individuals selected from the same institution in Indonesia, only some of whom were from outside the university. This might be a concern for the level of analysis and cause issues for generalising the results to other similar situations in a developing nation context. For further research, the confirmation of these findings could be obtained by selecting a wider group of participants including participants from other institutions within the higher education sector in the country. A broader area of study, for instance in the public sector with another country in the
same region or with a similar economy, would help to verify the findings of this study.

Another potential limitation concerns the perceptions of the individuals participating in the interviews. For example, those in the higher levels of the university were not as willing to participate, and their feedback may have been a mere response to the request to participate in the interview. In such cases, there were more positive responses and agreement about the policies of the organisations, and there was no way to assess the actual occurrence of specific incidents due to the confidentiality element of the interview. However, these limitations are relatively minor in nature, and this thesis acts as a starting point from which to explore and map HC practices in a university. A case study can provide reliable information to a broader field (Flyvbjerg, 2006; Ruddin, 2006) of research. This study has provided strong evidence about the practices of public sector organisations such as universities.

This thesis investigated the human capital mediating role in bringing theoretical statements from IC and HC into practice. The study also addressed the performativity thesis that claims that IC and HC theory does not just observe and explain reality but rather shapes, formats and performs reality. However, the performativity approach also has a range of critiques. A key criticism is the possible overestimation of the power of actors to extend beyond quantification and causal relations. To bring more nuance to the debate on the performativity approach, the thesis reflected on evidence from a case study in OUI. This thesis revealed how HC to different degrees, was developed and contributed to the strategic direction and management of OUI, and was implicated in performance and value adding for the university. Moreover, to respond to the potential threats and opportunities, this thesis suggested a further development of HC into a performatative approach in both the IC and HC fields. By focusing on the performative approach of HC research in the organisational context, a performative ontology of IC and HC field may be developed.
7.6. RECOMMENDATIONS FOR FUTURE RESEARCH

This thesis focused on HC practice in a public sector utilising theories of intellectual capital accounting, strategic HRM and management control system in the performative framework to ICAR. Indonesia is the fifth world biggest population in which nearly 2% of the population are undertaking tertiary level studies. Thus, investigating HC practice in the Indonesian public sector would be useful. The research indicates that the public sector needs to continue to undertake further research (Guthrie, et.al. 2012) and the education sector even more so. There are several recommendations for future research:

1. A broader consideration of other components of IC not limited to the ODL and Indonesian context but also expanded to HC in the public sector in other developing countries in response to Dumay (2015).
2. A comparison with other universities that operate in a conventional or campus-based system to gain further understanding about HC practices in the higher education sector.
3. To investigate HC practices using a mixed methods research approach in comparative situations across public sector organisations. Hence, future research studies are challenged to investigate whether the concepts of HC are significant to the management and performance of public sector organisations.

7.7. CONCLUDING COMMENTS

This thesis has presented a performative approach to HC in a public sector university in Indonesia. The research investigated HC practice in Open University Indonesia (OUI) during a period of ten years (2005 to 2015) in which I have been engaged as academic in OUI and in which the data collection was completed between late 2013 and early 2015. The performative approach to HC in a university had not been studied by previous researchers and practitioners. The thesis investigated HC practice in a university and country context in Indonesia and how HC is developed and contributed to the strategic direction and management of OUI and in providing value-adding outcomes for its students. These were achieved by identifying the theoretical elements of HC in the extant
literature of intellectual capital accounting and strategic management. The performative case study was utilised in this study, involving semi-structured interviews of participants, observations including netnography and auto-ethnography of my own personal lived experience as an academic in OUI. This was, in my judgement, the most appropriate approach since it facilitated a deeper understanding of human capital phenomenon through the responses of the individuals who narrated their personal stories and shared their organisational experiences. This thesis has demonstrated the utility of the performative case study approach to answer the relevant research questions and has helped to identify the need for the reconceptualisation of HC in the university and country context in order to develop a new HC framework for the future.
REFERENCE


Bartl, M., Kannan, V. K., & Stockinger, H. (2016). A review and analysis of


Buciuniene, I., & Kazlauskaite, R. (2012). The linkage between HRM, CSR and


Crotty, 1997 Check in Holloway


Evans, E., Buritt, R. & Guthrie, J. (2013) “The Virtual University: Impact on Australian Accounting and Business Education”, Centre for Accounting, Governance and Sustainability, University of South Australia and Institute of Chartered Accountants Australia.


Resource Costing & Accounting, 9(2), 78-93.


Fozdar, B. I., & Kumar, L. S. (2007). Mobile Learning and Student Retention. *International Review of Research in Open and Distance Learning, 8*(2), 1-18.


Hoch, J. E. (2013). Shared leadership and innovation: The role of vertical


performance. *Academy of Management Journal, 40*(1), 171-188.


IAS (International Accounting Standard) Number 38, 1998 about treatment of intangible assets

Indonesia Broadband Plan (IBP), Bappenas. Kompas.com, Fatimah Kartini Bohang | Rabu, 14 Januari 2015


Lincoln, Y. S., & Guba, E. G. (2000). The only generalization is: There is no generalization. *Case Study Method*, 27-44.


Murthy, V., & Mouritsen, J. (2011). The performance of intellectual capital:
mobilising relationships between intellectual and financial capital in a bank. 
*Accounting, Auditing & Accountability Journal*, 24(5), 622-646.

Musselin, C. (2013). Redefinition of the relationships between academics and 

Umum pada Perguruan Tinggi BHMN*, Universitas Sumatera Utara.


a conceptual-level empirical investigation of the resource-based view of the 

management practices and national culture. *Journal of International 
Business Studies*, 27(4), 753-779.


paradox?. *Accounting, Auditing & Accountability Journal*, 16(1), 49-56.

market value and financial performance: Empirical evidence from the 
ASEAN. *Journal of Intellectual Capital*, 16(3), 587-618.

the National Academy of Sciences*, 100(19), 11163-11170.

“why” of HR practices: Their effects on employee attitudes and behaviors, 

York: Oxford University Press Inc.

Japanese companies create the dynamics of innovation. *Oxford University 


Panduan Tutorial Online, Universitas Terbuka (OUI Online Tutorial Guideline)

Peraturan Menteri Riset, Teknologi dan Pendidikan Tinggi Nomor 44 Tahun 2015 (Act Number 44/2015 about National Standard for Higher Education)


Peraturan Pemerintah Republik Indonesia, Nomor 11 Tahun 2002 Tentang penerimaan Pegawai Negeri Sipil (Act Number 11/2002 about State Aparature/ Government Employees)

Peraturan Pemerintah Republik Indonesia, Nomor 23 tahun 2005 tentang Pengelolaan Keuangan Badan Layanan Umum (Act Number 23/2005 about financial management for public service agencies)

Peraturan Pemerintah Republik Indonesia, Nomor 53 Tahun 2010 Tentang Disiplin Pegawai Negeri Sipil (Act Number 53/2010 about discipline of state aparaturre/ government employees)

Permendikbud RI Number 109/2013 tentang Penyelenggaraan Pendidikan Jarak Jauh pada Pendidikan Tinggi (Act Number 109/2013 about distance education for higher education)


financial returns of companies. *Journal of Intellectual capital, 8*(1), 76-95.


Reed, K. K., Lubatkin, M., & Srinivasan, N. (2006). Proposing and testing an


Satrio Sumantri Brodjonegoro, retrieved from Pikiran Rakyat Online, 28 September 2015.


Schneider, B., & Bowen, D. E. (2010). Winning the service game. In Handbook of Service Science (pp. 31-59). Springer US.


SFAC (Statement of Financial Accounting Concept) Number 5, 1984 about recognition and measurement in financial statements of business enterprises.


Undang-Undang Republik Indonesia Nomor 12 tahun 2012 tentang Pendidikan Tinggi.

Universitas Terbuka, archival data as of April 2014


evolution of a coding system. *Qualitative Sociology, 24*(3), 381-400.


### Appendix 1. List of Interview Participants

<table>
<thead>
<tr>
<th>Group</th>
<th>Participants &amp; his/her role in the University</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Academics &amp; Tutors (13)</td>
<td>A1. Senior academic, FKIP</td>
</tr>
<tr>
<td></td>
<td>A2. Senior academic, FKIP, former rector</td>
</tr>
<tr>
<td></td>
<td>A3. Senior academic, FKIP, former rector</td>
</tr>
<tr>
<td></td>
<td>A4. Senior academic, Univ B</td>
</tr>
<tr>
<td></td>
<td>A5. Academic in managerial position, FE</td>
</tr>
<tr>
<td></td>
<td>A6. Academic in managerial position, FISIP</td>
</tr>
<tr>
<td></td>
<td>A7. Academic in managerial position, PPS</td>
</tr>
<tr>
<td></td>
<td>A8. Academic &amp; Tutor, FISIP</td>
</tr>
<tr>
<td></td>
<td>A9. Senior Academic, FE</td>
</tr>
<tr>
<td></td>
<td>A10. Academic &amp; Tutor, FE</td>
</tr>
<tr>
<td></td>
<td>A11. Senior Academic &amp; Tutor, graduate program, FE</td>
</tr>
<tr>
<td></td>
<td>A12. Academic &amp; External Tutor, non-teaching program, Lecturer in Univ C</td>
</tr>
<tr>
<td></td>
<td>A13. Academic &amp; External Tutor, teaching program, Lecturer in Univ D</td>
</tr>
<tr>
<td>B. Academic support (9)</td>
<td>B1. Specialist, ICT</td>
</tr>
<tr>
<td></td>
<td>B2. Specialist, Multimedia, academic</td>
</tr>
<tr>
<td></td>
<td>B3. Specialist, Public relation</td>
</tr>
<tr>
<td></td>
<td>B4. Specialist, Accounting &amp; Finance</td>
</tr>
<tr>
<td></td>
<td>B5. Specialist, assessment center, academic</td>
</tr>
<tr>
<td></td>
<td>B6. Specialist, internal auditor, academic</td>
</tr>
<tr>
<td></td>
<td>B7. Specialist, learning support for students/UPBJJ, academic</td>
</tr>
<tr>
<td></td>
<td>B8. Administration support, Head of Office Administration</td>
</tr>
<tr>
<td></td>
<td>B9. Administration support, student service</td>
</tr>
<tr>
<td>C. Management (8)</td>
<td>C1. Rector</td>
</tr>
<tr>
<td></td>
<td>C2. Vice rector</td>
</tr>
<tr>
<td></td>
<td>C3. Head of internal auditor, academic</td>
</tr>
<tr>
<td></td>
<td>C4. Director of postgraduate study, academic</td>
</tr>
<tr>
<td></td>
<td>C5. Head of Center/Unit, academic</td>
</tr>
<tr>
<td></td>
<td>C6. Head of Learning Center, academic</td>
</tr>
<tr>
<td></td>
<td>C7. Head of Learning center, academic</td>
</tr>
<tr>
<td></td>
<td>C8. Dean, academic</td>
</tr>
<tr>
<td>D. Students (11)</td>
<td>D1. Undergraduate, Discipline of Accounting (Ratna Diah Puspita, 27 September 2014, Discipline of Accounting)</td>
</tr>
<tr>
<td></td>
<td>D2. Undergraduate, Discipline of English (Ria Erfinta Meke, 4 February 2015)</td>
</tr>
<tr>
<td></td>
<td>D3. Undergraduate, Discipline of Mathematic/Statistic (F Cahyo Prasetio, 6 January 2015)</td>
</tr>
<tr>
<td></td>
<td>D4. Undergraduate, Discipline of Management (M. Takdir Hanafi, Student, Police Officer, 17 September 2014)</td>
</tr>
<tr>
<td></td>
<td>D5. Undergraduate program (Frengki Osmond, student, retrieved 27 May 2015)</td>
</tr>
<tr>
<td></td>
<td>D6. M. Anton Sitompul, Student, retrieved 1 June 2015</td>
</tr>
<tr>
<td></td>
<td>D7. Undergraduate, teaching program A (A teacher-student, Salirang island, Palmas, Pankajene)</td>
</tr>
<tr>
<td></td>
<td>D8. Undergraduate, teaching program B (Ida Made Jambu Arsa,</td>
</tr>
</tbody>
</table>
14 October 2015)  
D9. Postgraduate Program, teaching (Hamdanah, 2 July 2015)  
D11. Alumni, successful student, Undergraduate Program, Management (Kobir, 2015)

| E. Others (3) |  
|----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
Appendix 2. Example of Pilot-Delphi [A4]

Q1. What is your understanding of the human capital of a University, and who is human capital in University?

In the recent development, capital does not mean solely funds or hardware and software, but also human ware. Thus OU staff – both academic and administrative staff are the important assets of the university. The graduates of OU are also important asset of the university. They are the human capital to OU, that contributes knowledge capital and social capital to OU. The success of a university at present is not measured by the number of graduates, but how its graduates can perform in the public. Neither it is measured by the building, physical facilities, or other hardwares made available by the university, but more on “who is in the university that contribute to the scientific development in local, national, as well as international arena”. Such a contribution can only be made through expertise and knowledge capital – that is being shared in a wider arena. Expertise indicates best practices, while knowledge capital indicates contribution to the scientific development. Meanwhile, social capital becomes tacit knowledge that is highly essential to the sustainability of the OU system. For OU human resources, expertise should be translated into two distinctive fields: subject matter and distance education. This also applies for knowledge and social capital. It means that OU human resources are experts of subject matter area – comparable to experts coming from other universities in Indonesia as well as abroad, and also experts in distance education or the so-called innovative education delivery system – comparable to distance education experts worldwide. So, first OU human resources and graduates should have distinctive expertise, second they should contribute not only for OU’s internal development, but also for scientific development in various levels in wider arena. Their expertise, knowledge and social capital must be well preserved and documented. OU as the owner of these experts should facilitate the process of providing opportunity for its human resources to have distinctive expertise, and to contribute for various development efforts in wider scholarly arena – virtually as well as through physical presence. In return, these human resources and graduates will first of all become the vocal point to speak about OU elegantly – in seminal and scholarly forums such as scientific arenas (seminars, community of practices, professional associations, etc.). Academic excellence is one brand that OU can be proud of and being recognised with, and that is coming from expertise of its human resources and graduates. To maintain these excellences, OU has to provide continuous professional development to the human resources that serve as “experts” that brings with them OU’s image wherever they go. In addition, OU needs to provide opportunities for its human resources to be involved and engaged in wider level scientific and scholarly forums – local, national, international forum, thus their expertise will be made known in such forums, and OU’s presence is felt through its experts. As for the graduates, regular tracer study is a necessary, and also regular home coming activities will be advantageous to OU. Contact and communication with graduates should be maintained at any level, through any channels: newsletter,
holidays greetings, congratulations remarks, etc. Human resources in OU does not mean a mere “worker”, but they are asset – they are human capital to OU – that enrich OU through their expertise and branding in seminal forums.

Q2. What does ‘performance’ of OU mean to you?

OU performance means quality graduates, quality academic products, quality academic staff, quality education system. Quality graduates: 1) Mastery of knowledge which are proven to be comparable with other graduates in the same field coming from other universities – in Indonesia as well as abroad; 2) Mastery of “learning to learn” skills – learning independently, learning autonomously (self-directed), learning from various resources, and always aware of the learnable moments and events; 3) Mastery of technology to learn and to do work professionally – technology savvy, always keep up with the newest technology, apply technology in various opportunity; 4) Mastery of professional and scholarly attitude/behavior: self-confidence, going extra miles, extend a helping hand, problem solver, good team player, collegial, and respect of others; 5) Make significant scholarly contribution to the development of the profession, work area, and subject matter area – proven by applied and scientific products. Quality of academic products: 1) Quality of academic programs: compliance with national and international standards, recognition by national as well as international accreditation agencies, show dynamics of development and strive toward the equipping students with the newest challenges in the field from time to time; 2) Quality of academic process: unique students centered learning, media and resources rich – including quality instructional materials (modules), availability of quality learning supports; 3) Quality of learning products: students’ works are comparable and competitive enough at national as well as international arena. Quality of academic staff: 1) Have the highest possible credentials in the respective area; 2) Are rated positively by students and colleagues, have teaching and learning showcases/portfolio; 3) Recognised scholars, and active speakers in various scholarly and scientific forums; 4) Prolific publishers of articles in various journals and other types of publications; 5) Being a member of various working teams and professional organisations in Indonesia as well as abroad – based on expertise; 6) If possible: acquire patent or other form of intellectual property rights. Quality systems: 1) Reliable system that produce necessary information and data to support decision making internally as well as nationally and internationally, 2) It is zero defect (TQM term) for highest quality systems, 3) It is accessible by the clients and users at different level and arrangement – anywhere, anytime, 4) Include learning delivery system which is innovative, creative, unique, and enriching the students’ learning, and also media-rich to allow students to select different media for learning, 5) Include the assessment system which is multiple representation of understanding as to allow students to show their performance through various means; 6) It is technology-based for efficiency, accuracy, timeliness, and accountability purposes; 7) Has an
assurance and control mechanism for accountability (including public audit and/or accreditation).

Q3. In your experience in higher education, what do you believe are the most important factors in determining OU’s performance? Could you provide key performance indicators for OU?

See my answer to no. 2

Q4. In your experience within OU, what would be the better way to provide ‘high quality standard’ in delivering ODL for OU’s students?

Standard means fulfillment of minimum requirement. For OU to excel, OU’s process as well as outcome must also excel, and go beyond standard. As far as human resources is concerned, it must be excellent, beyond standard, in order for OU to excel. High quality HR will influence highly the outcome of OU, i.e., the quality graduates. For the delivery process to be excellent, HR is one key factor, in addition to technology and system. Uniqueness of OU must be factored in, and also distinctiveness of OU’s outcome. OU’s learning process cannot proceed without technology at this moment. OU should at the forefront on the use of technology to enable quality learning at anytime, anywhere for anybody. The learning delivery system must be media-rich to enable students to take different pathways based on their individual media preference. Exploration on technology must become priority in order for OU to achieve excellent in all aspects. Distinctiveness of OU must also be defined, and proven (evidence-based) through its graduates, thus becomes a value added which is sought for. This is the competitive advantage of OU. It is not only that OU graduates achieve the same learning outcome (as other universities graduates), but OU graduates achieve more – with value added and that makes OU unique and distinctive. These achievements will not come easy, quality HR, quality system, and quality academic products will be needed.

Q5. In your opinion, what could be done utilising human capital capabilities to improve OU’s current administrative system (recruitment system, training and career development program, performance and rewards system) towards performance?

By nature of OU as a public university, the recruitment system is relatively rigid to be modified since it follows the government’s regulation and system. Should improvement needed, it will be concerning the social intelligent of the candidate which includes commitment and dedication to OU, as well as loyalty to OU (not to a person). In other word, professionalism must be one category of the recruitment criteria. As such, human resources recruited to OU will be at the “raw state” which will needs affirmative actions as well as well-planned actions from OU to develop each individual, let them grow, then maintain the performance based on OU’s vision. Performance and reward system must be based on merit. The current situation does not allow human resources of OU to develop, they functions more mechanistically to the routine jobs. No new challenges presented that demand creativity and anxiety of
the human resources. Professional development and rewards are given to specific persons based on nepotism, instead of merit. Furthermore, no community of practices is allowed. Connection and involvement, especially outside OU, are prohibited and cause OU human resources to know nothing of the worldwide development. In other words, OU human resources are treated as “workers”, and not being acknowledged as human capital, and still far away to be recognised as knowledge capital or social capital. New human resources development model is needed in this case.

Q6. What do you think could be done to optimise human capital capabilities (what one can do) within its capacities (what one has)?

Individual as well as group strategies are needed, as well as supports from the OU as institution: Individual and group strategies: “success cycle” – set a goal, make a plan, get connected, stay involved. Each individual based on his/her capacity has to set a goal in working and his/her professional career, make a plan to achieve that goal – individually, in group, and institutionally, then get connected with the community of practices and professional – internally as well as worldwide, and maintain the connection through various activities (research, shared teaching, exchanges, etc.). Further, each individual has to stay involved through contributing significantly to the community of practices/professionals, and also to the work s/he is being assigned to – wants to know more, wants to try something different, wants to do the best, wants to explore further, and answers to challenges. This cycle applies to individual human resources as well as group human resources. Supports from institution for professional development, work arrangement and assignment, establishment of conducive working environment, and application of reward and sanction systems.
Appendix 3. Example of Interview [B1]

Q1. Who is the human capital in Open University (OU)? Why do you think so?

In the university, like or not academics position will be placed in the most important role within institution. Why? Because the institution core business is education and good or poor quality of its services are determined by the conditions of academic staff competencies.

Q2. Who is the human capital in Open University (OU)? Why do you think so?

In the university, like or not academics position will be placed in the most important role within institution. Why? Because the institution core business is education and good or poor quality of its services are determined by the conditions of academic staff competencies.

Q3. The elements of human capital consist of Personal Values (behaviour, skills, capabilities, qualifications, experience and expertise) + Social Values (social, relations and networks) + Corporate Culture (norms, values, beliefs that people bring into organisation). What are the elements embedded in you? How do these contribute to organisation?

Perhaps the most elements that are present in me are personal values (skills, capabilities) because I often involved in the technical works. Nonetheless, relationships and social networks is also very helpful in the completion of technical tasks and career of course. I really feel the usefulness of this value, especially in reducing the attitude of rejection. However, it should be realised that these values can not develop if there is no supportive working environment. So corporate culture should not inhibit creativity!

Q4. Do you think that the current administrative system (recruitment system, training and career development programs, performance and reward system) has been embedded/worked in practice in OU? What are the factors promoting/ hindering that process?

Indeed human resource development programs in UT are quite good but unfortunately often seem not linear with the current and future needs of organisations. I honestly feel the management itself has not been able to break away from the 'comfort zone'. An attitude which actually should be changed to face changing trends, challenges, and opportunities

Q5. Do you think that your capabilities (what one can do) have met your capacities (what one has)? If Yes, What are the most important capabilities of ‘you’ within your personal experience have been developed in OU? Why? If Not, what could you do?

In most cases , Yes! One of the new capabilities I acquired and I think is important while working in UT is social capabilities. My job are developing new IT systems. IT system require cultural change in working environment. In case, social
capabilities are required. Social capabilities also important when negotiating and seeking meeting point to handle different interest within institution

Q6. Do you think that the current administrative system (recruitment system, training and career development programs, performance and reward system) has been embedded/worked in practice in OU? What are the factors promoting/ hindering that process?

Indeed human resource development programs in UT are quite good but unfortunately often seem not linear with the current and future needs of organisations. I honestly feel the management itself has not been able to break away from the 'comfort zone'. An attitude which actually should be changed to face changing trends, challenges, and opportunities

Q7. In your experience within OU, what would be the better way to provide ‘high quality standard’ in delivering service for students?

Reduce or if necessary cut the bureaucracy , change the corporate culture to costumer oriented institution

Q8. One might argue that the investment in human capital (to build capacities and capabilities) does not necessarily give impact to organisational performance. Do you agree? Do you think that organisation are successful because of effective human capital practices (strategies, plans, programs in acquiring, developing and rewarding employees) OR because of their positive financial results enable them to invest more in their people? Please describe your position.

Disagree! the problem experienced by most organisations like it or not might caused by a decrease in the capacity and quality of the employees. Management action by recruiting new recruits to answers the problems without effective human capital practices will likely ended in fat, inefficient organisation
Appendix 4. Example of Netnography

View 16 more comments

Anistika Rachmawati Saya ada rencana mau daftar FISIP UT, tapi jadwal TTMnya itu khusus weekend atau ada pas weekday? Kalo boleh minta contoh jadwalnya utk UPBJJ Purwokerto atau UPBJJ manapun
Like · Reply · November 19 at 11:17am


Cc. Ratu
Like · Reply · 6 hrs

Heddiana Sormin Halo UT mau nanya nih, berkasa2 yg perlu di lengkapi untuk proses pendaftaran apa saja yah? Dan untuk program S1 Sastra Inggris membutuhkan biaya berapa kah? Terimakasih. 😊
Like · Reply · 1 hr

Universitas Terbuka Selama! Siang, Heddiana Sormin. Persyaratan pendaftaran adalah pajaz terakhir berlegalisir min SLTA sederajat, identitas di, pasfoto berwarna 4x6, 2x3, dan 3x4 2 lembar (latar biru untuk tahun kelahiran genap can merah setelahnya), matrai 6000 3 lembar, terkait biaya kuliah di UT silahkan kunjungi laman http://www.ut.ac.id/biaya-pendidikan, terima kasih.

Cc. Ratu

Biaya Pendidikan

Biaya pendidikan adalah biaya yang dikenakan kepada mahasiswa untuk penyelenggaraan dan pembinaan pendidikan serta layanan administrasi akademik. Rincian biaya pendidikan di UT disajikan pada tabel berikut:[tabs] [tab title="Program Sarjana dan Diploma FEKON, FISIP, FMIPA, dan FKIP"]1. Program Sarja...
Appendix 5. OUI Organisational Structure
Appendix 6. OUI Students Demography

Based on faculty:

<table>
<thead>
<tr>
<th>Faculty</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FKIP</td>
<td>72.32%</td>
</tr>
<tr>
<td>FISIP</td>
<td>18.33%</td>
</tr>
<tr>
<td>Fekon</td>
<td>7.60%</td>
</tr>
<tr>
<td>FMipa</td>
<td>1.20%</td>
</tr>
<tr>
<td>PPS</td>
<td>0.55%</td>
</tr>
</tbody>
</table>

Based on occupation:

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teachers</td>
<td>72.32%</td>
</tr>
<tr>
<td>Private employees</td>
<td>11.32%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>8.07%</td>
</tr>
<tr>
<td>Civil servants</td>
<td>4.96%</td>
</tr>
<tr>
<td>Self employed</td>
<td>2.09%</td>
</tr>
<tr>
<td>Police/Army</td>
<td>0.65%</td>
</tr>
<tr>
<td>Working (unknown)</td>
<td>0.60%</td>
</tr>
</tbody>
</table>

Based on gender:

<table>
<thead>
<tr>
<th>Gender</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>68.55%</td>
</tr>
<tr>
<td>Male</td>
<td>31.45%</td>
</tr>
</tbody>
</table>
Based on group of age:

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 25</td>
<td>25.58%</td>
</tr>
<tr>
<td>25-29</td>
<td>24.41%</td>
</tr>
<tr>
<td>29-34</td>
<td>19.72%</td>
</tr>
<tr>
<td>34-39</td>
<td>10.75%</td>
</tr>
<tr>
<td>39-44</td>
<td>6.95%</td>
</tr>
<tr>
<td>44&lt;</td>
<td>12.60%</td>
</tr>
</tbody>
</table>

Based on locations

<table>
<thead>
<tr>
<th>Location</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sumatera</td>
<td>28.49%</td>
</tr>
<tr>
<td>Jawa</td>
<td>38.75%</td>
</tr>
<tr>
<td>Bali</td>
<td>9.89%</td>
</tr>
<tr>
<td>Nusa Tenggara</td>
<td>1.01%</td>
</tr>
<tr>
<td>Kalimantan</td>
<td>7.85%</td>
</tr>
<tr>
<td>Sulawesi</td>
<td>10.39%</td>
</tr>
<tr>
<td>Maluku Islands</td>
<td>1.49%</td>
</tr>
<tr>
<td>Papua</td>
<td>1.55%</td>
</tr>
<tr>
<td>Luar negeri</td>
<td>0.58%</td>
</tr>
</tbody>
</table>

Students by country

<table>
<thead>
<tr>
<th>Country</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amerika Serikat</td>
<td>14</td>
</tr>
<tr>
<td>Australia</td>
<td>7</td>
</tr>
<tr>
<td>Belgium</td>
<td>1</td>
</tr>
<tr>
<td>China</td>
<td>2</td>
</tr>
<tr>
<td>Eropa</td>
<td>3</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>13</td>
</tr>
<tr>
<td>Indonesia</td>
<td>303</td>
</tr>
<tr>
<td>Jerman</td>
<td>2</td>
</tr>
<tr>
<td>Korea Selatan</td>
<td>3</td>
</tr>
<tr>
<td>New Zealand</td>
<td>1</td>
</tr>
<tr>
<td>Philippina</td>
<td>597</td>
</tr>
<tr>
<td>Russia</td>
<td>144</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>240</td>
</tr>
<tr>
<td>Taiwan</td>
<td>144</td>
</tr>
<tr>
<td>Turkey</td>
<td>7</td>
</tr>
<tr>
<td>Uni Emarat Arab</td>
<td>1</td>
</tr>
<tr>
<td>Vanan</td>
<td>15</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>24</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2</td>
</tr>
<tr>
<td>Singapore</td>
<td>369</td>
</tr>
</tbody>
</table>
Appendix 7. OUI Performance and Rewards System

<table>
<thead>
<tr>
<th>No</th>
<th>NIP</th>
<th>Unsur</th>
<th>Role</th>
<th>Instansi</th>
<th>Jumlah</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No</th>
<th>Nama Pegawai</th>
<th>Penelitian</th>
<th>Pengabdian</th>
<th>Kualitas Pengabdi</th>
<th>Kuantitas Pengabdi</th>
<th>Total Jumlah</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Tabel 9. Contoh Penilaian Kerja Pegawai

UNIVERSITAS TERBUKA

<table>
<thead>
<tr>
<th>No</th>
<th>Nama Pegawai</th>
<th>Penelitian</th>
<th>Pengabdian</th>
<th>Kualitas Pengabdi</th>
<th>Kuantitas Pengabdi</th>
<th>Total Jumlah</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No</th>
<th>Nama Pegawai</th>
<th>Penelitian</th>
<th>Pengabdian</th>
<th>Kualitas Pengabdi</th>
<th>Kuantitas Pengabdi</th>
<th>Total Jumlah</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

328
<table>
<thead>
<tr>
<th>No</th>
<th>Aspek yang Dinilai</th>
<th>Uraian</th>
<th>Selalu</th>
<th>Persepsi Umum</th>
<th>Adakalanya</th>
<th>Kurang/kempir/tidak perlu</th>
<th>Tidak perlu</th>
<th>Jumlah</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>91-100</td>
<td>76-90</td>
<td>61-75</td>
<td>51-60</td>
<td>&lt;50</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>3. mampu menyelesaikan suatu kerja yg baik/nyaman bagi semua pihak</td>
<td>91</td>
<td>91</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. mampu menyiapkan dan/atau menggantikan dan/atau memelihara aset milik UT yang diperolehnya kepada kepentingan dengan sebaik-baiknya</td>
<td>80</td>
<td>80</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Nilai</td>
<td>344</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nilai Rata-rata per Komponen</td>
<td>86</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Kerjasama</td>
<td>1. mampu bekerjasama dengan rekan kerja dan/atau atasan dan/atau bawahan baik di dalam maupun di luar unit kerjaanya</td>
<td>91</td>
<td>91</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. menghormati dan menghargai pendapat orang lain</td>
<td>80</td>
<td>80</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. menerima keputusan yang diambil oleh pimpinan atau lembaga sesuai sah menjadi keputusan bersama</td>
<td>82</td>
<td>82</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Nilai</td>
<td>253</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nilai Rata-rata per Komponen</td>
<td>84,3333</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Kepercayaan</td>
<td>Pejabat struktural eselon I s/d IV dan selanjutnya) mengii miskon</td>
<td>1. mampu mengakhiri bebasanya dengan tugas kompeten</td>
<td>91</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. mampu mengakhiri bebasanya dengan cepat dan tepat</td>
<td>80</td>
<td>80</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. mampu merubah bebasanya dalam melaksanakan tugas</td>
<td>80</td>
<td>80</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. berinisiatif dalam menyelesaikan pekerjaan sesuai petunjuk pimpinan</td>
<td>91</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. mampu berinisiatif bebasnya menerima masukan kepada pimpinan</td>
<td>80</td>
<td>80</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Nilai</td>
<td>171</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nilai Rata-rata per Komponen *)</td>
<td>85,3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Keterangan:
*) Pejabat struktural: nilai rata-rata dibagi 5
Pegawai yang tidak menjabat: nilai rata-rata dibagi 2
Appendix 8. Human Resources Ethics Approval

Research Ethics Office
Division of Research and Development

Tuesday, 3 December 2013

Dr Manzurul Alam
School of Management and Governance
Murdoch University

Dear Manzurul,

Project No. 2013/195
Project Title Human Capital and Value Adding: an investigation of an Open University

Thank you for addressing the conditions placed on the above application to the Murdoch University Human Research Ethics Sub-Committee. On behalf of the Sub-Committee, I am pleased to advise the application now has:

OUTRIGHT APPROVAL

Approval is granted on the understanding that research will be conducted according the standards of the National Statement on Ethical Conduct in Human Research (2007), the Australian Code for the Responsible Conduct of Research (2007) and Murdoch University policies at all times. You must also abide by the Human Research Ethics Committee's standard conditions of approval (see attached). All reporting forms are available on the Research Ethics web-site.

I wish you every success for your research.

Please quote your ethics project number in all correspondence.

Kind Regards,

[Signature]

Dr. Erich von Dettze
Manager of Research Ethics

cc: Dr David Holloway and Amalia Kusuma Wardini
Appendix 9. Permission Letter from OUI

Monday, 11 November 2013

Dr. Erich von Dietze
Manager of Research Ethics
Murdoch University

Dear Mr. Von Dietze,

Project Number: 2013/195
Project Title: Human Capital and Value Adding: An Investigation in an Open University

This letter is to certify that Mrs. Amalia Kusuma Wardini, PhD Student of School of Management and Governance, Murdoch University has been granted an approval to conduct field study at Open University Indonesia (Universitas Terbuka) as part of her PhD Thesis.

The fieldwork will be conducted between December 2013 and December 2015 including in-depth interviews, Delphi study and participant observation with staff, academics, tutors and students in Universitas Terbuka.

We have read the research proposal by Mrs. Amalia Kusuma Wardini to study human capital practices in Open University and are interested in her proposal. We believe her ideas are workable and can be useful for Open University’s future strategic direction.

We will be delighted to accept her and the fieldwork to be conducted in Universitas Terbuka. Should you require further questions, please do not hesitate to contact me.

Kind regards,

[Signature]

[Name]
M.A., Ph.D
Head of Institute for Research
and Community Services

[Contact Information]