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Table of Contents

1. Introduction	3
2. Part 1 - Option 2: Building a Culture of Innovation & Future Work Practices	3
2.1 Overview of the Current Organisational Issues	3
2.2 Analysis Using HRM Theories and Models	4
2.3 Recommendations to Build a Culture of Innovation	5
2.4 Future Work Practices Model	6
2.5 How These Recommendations Improve Performance	6
3. Part 2 - Reflection	7
3.1 Reflective Learning Using Gibbs' Reflective Cycle	7
3.2 Staying Relevant in the Age of AI	9
4. Conclusion	10
References	11

1. Introduction

Aether Innovations is a 300-person technology company facing flat business growth, high employee turnover, and declining customer satisfaction. These issues suggest that the organisation's people practices are not fully aligned with its strategic aims. In knowledge-intensive organisations, competitive advantage is shaped not only by products and technology, but also by the ability to attract, motivate, develop, and retain employees whose skills and behaviour create value (Boxall and Purcell, 2016). Human capital management is therefore central to organisational success because it links workforce capability with long-term business performance.

This report addresses Option 2: Building a Culture of Innovation and Future Work Practices. It argues that Aether Innovations' difficulties are connected to weaknesses in organisational culture, motivation, leadership, and work design. The report analyses these issues using relevant HRM theories and then proposes recommendations to build a stronger innovation culture and a more effective future work model. It also reflects on learning from the module and considers how to remain relevant in an AI-enabled workplace through continuous learning and human-centred skill development (Cascio and Montealegre, 2016).

2. Part 1 - Option 2: Building a Culture of Innovation & Future Work Practices

2.1 Overview of the Current Organisational Issues

Aether Innovations is experiencing interconnected people and performance problems that are limiting sustainable growth. Although it operates in a competitive technology sector, it is facing flat growth, high staff turnover, and falling customer satisfaction. These are unlikely to be isolated problems. Instead, they indicate a deeper misalignment between people management, organisational culture, and business strategy. Strategic HRM research suggests that when people practices do not support organisational goals, the result is often lower commitment, weaker performance, and reduced competitiveness (Boxall and Purcell, 2016).

One major issue is high employee turnover. In a technology business, this is particularly damaging because it reduces continuity, disrupts teamwork, and increases the loss of valuable knowledge. Frequent turnover also creates higher recruitment and training costs. From an HRM perspective, this often reflects deeper concerns such as weak leadership, limited recognition, poor development opportunities, or an unsupportive culture rather than labour market conditions alone (Marchington et al., 2016).

A second issue is flat organisational growth. In knowledge-based firms, growth depends heavily on creativity, adaptability, and the effective use of employee capability. When growth slows, it may suggest that employees are not fully enabled or motivated to contribute to innovation and improvement. Research on high-performance work systems shows that employee ability alone is not enough; organisations must also provide the motivation and opportunity needed for performance (Appelbaum et al., 2000).

A third issue is declining customer satisfaction. Customer outcomes are often shaped by internal conditions because employees directly affect service quality, problem-solving, and responsiveness. If morale is low, communication is weak, or collaboration is poor, customers are likely to experience the effects. Overall, Aether Innovations appears to need a more integrated human capital approach that improves culture, leadership, engagement, and ways of working.

2.2 Analysis Using HRM Theories and Models

The problems at Aether Innovations can be understood more clearly through key HRM theories that explain how culture and motivation influence organisational performance.

First, Schein's organisational culture model helps explain why innovation may be weak. Schein and Schein (2017) argue that culture operates at the levels of artefacts, espoused values, and underlying assumptions. An organisation may claim to value innovation and collaboration, yet employees often judge culture by what leaders actually reward and tolerate. If Aether Innovations says it values innovation but employees believe new ideas are ignored or risk-taking is discouraged, then innovation will remain limited. This suggests a gap between stated values and everyday practice.

Second, Herzberg's two-factor theory provides insight into turnover and low engagement. Herzberg, Mausner and Snyderman (1959) distinguish between hygiene factors, such as supervision, policies, and working conditions, and motivators, such as recognition, achievement, and growth. If Aether Innovations provides insufficient managerial support, unclear progression, or weak recognition, employees may feel dissatisfied and unmotivated. In technology organisations, employees often expect meaningful work, autonomy, and learning opportunities. When these are missing, retention becomes more difficult.

Third, the AMO model explains performance in terms of employees having the ability, motivation, and opportunity to contribute (Appelbaum et al., 2000). This is highly relevant to Aether Innovations. The company may employ capable staff, but if they are not motivated through recognition and purpose, or if they lack opportunities to share ideas and influence decisions, their potential will not translate into value. The model shows that performance problems are often caused not by a lack of talent, but by the failure to create the right conditions for contribution.

A related issue is psychological safety, which supports learning and innovation. Edmondson (1999) argues that employees perform better when they feel safe to speak up, question assumptions, and admit mistakes. If employees at Aether Innovations fear criticism or dismissal, they may avoid taking initiative or proposing improvements. This would reduce innovation, limit collaboration, and weaken responsiveness to customer needs.

Overall, these theories suggest that Aether Innovations' difficulties stem from cultural misalignment, weak motivation, and limited opportunities for meaningful participation. The organisation therefore requires changes that strengthen both the employee experience and the wider organisational environment.

2.3 Recommendations to Build a Culture of Innovation

To improve performance, Aether Innovations should adopt an integrated set of interventions that make innovation part of everyday organisational life. Research shows that organisations perform better when people practices promote learning, collaboration, commitment, and adaptability (Boxall and Purcell, 2016; Marchington et al., 2016).

The first recommendation is to create cross-functional collaboration structures. Innovation is often weakened when teams work in silos and knowledge remains fragmented. Aether Innovations should establish cross-functional groups for product improvement, service redesign, and customer problem-solving. This would improve communication, expose employees to different perspectives, and help them understand how their work contributes to wider business goals. From an AMO perspective, it expands employees' opportunity to contribute (Appelbaum et al., 2000).

The second recommendation is to introduce a formal employee idea-generation system. Employees should have regular opportunities to suggest improvements, test ideas, and contribute to innovation. This could include innovation sprints, digital suggestion platforms, or monthly idea forums. However, these mechanisms will only work if management takes employee input seriously. Leaders should provide feedback on ideas and explain how decisions are made. This would strengthen employee voice and support psychological safety (Edmondson, 1999).

The third recommendation is to redesign reward and recognition practices. If the organisation expects creativity, collaboration, and initiative, these behaviours should be recognised explicitly. Recognition could include public acknowledgement, leadership opportunities, development access, or performance criteria linked to innovation and teamwork. Herzberg's theory suggests that recognition and achievement are important drivers of motivation and commitment (Herzberg, Mausner and Snyderman, 1959).

The fourth recommendation is to strengthen leadership and development. Managers shape culture through daily behaviour, communication, and feedback. Aether Innovations should train leaders to encourage participation, support experimentation, and manage teams more inclusively. At the same time, the company should invest in mentoring, workshops, coaching, and progression pathways. Continuous learning is essential in knowledge-based firms because it improves capability while also signalling that the organisation values its employees (Marchington et al., 2016).

Taken together, these recommendations would help Aether Innovations move from a reactive culture to a more innovative, collaborative, and high-commitment environment.

2.4 Future Work Practices Model

Alongside culture change, Aether Innovations should adopt a future-focused hybrid work model that combines flexibility with accountability. Modern organisations increasingly rely on digital tools, flexible working, and outcome-based management. Research suggests that hybrid work can create value when it is supported by clear expectations, appropriate technology, and consistent management practice (Cascio and Montealegre, 2016).

A suitable model would involve employees dividing their time between remote work for focused tasks and in-person work for collaboration, planning, and innovation activities. This would balance autonomy and efficiency with the face-to-face interaction needed for creative problem-solving and team cohesion. Office time should be used intentionally for activities that benefit most from shared presence, such as workshops, meetings, and onboarding.

To make this effective, managers should focus on results rather than physical presence. Clear objectives, regular feedback, and transparent communication standards are necessary. Shared digital platforms should be used consistently for project tracking, communication, and knowledge sharing so that employees can contribute effectively regardless of location (Cascio and Montealegre, 2016).

The organisation should also establish regular team rituals, such as weekly check-ins, retrospective meetings, and innovation discussions. These routines can maintain visibility, trust, and alignment while also encouraging employees to speak up and share ideas (Edmondson, 1999). Overall, a structured hybrid model would support both employee wellbeing and strong organisational performance.

2.5 How These Recommendations Improve Performance

The proposed recommendations would improve performance because they address the root causes of Aether Innovations' current difficulties rather than only the symptoms. Performance is strongest when culture, leadership, engagement, and work design are aligned in a mutually reinforcing way (Boxall and Purcell, 2016).

First, the recommendations would improve employee motivation and retention. When employees are recognised, involved in decision-making, and given development opportunities, they are more likely to feel valued and committed. This should reduce turnover and improve consistency of performance (Herzberg, Mausner and Snyderman, 1959).

Second, the recommendations would strengthen innovation and collaboration. Cross-functional teams, employee voice, and psychological safety increase the likelihood that useful ideas will be generated and implemented. In knowledge-intensive firms, innovation depends heavily on trust and open communication (Edmondson, 1999).

Third, future-focused work practices would improve productivity and responsiveness. A structured hybrid model allows employees to work flexibly while remaining accountable for outcomes. Supported by digital tools and clear performance expectations, this can improve coordination, autonomy, and efficiency (Cascio and Montealegre, 2016).

Finally, better internal performance is likely to produce stronger customer outcomes and business growth. Engaged employees are more likely to deliver quality service, solve problems quickly, and respond creatively to customer needs. Over time, this should improve customer satisfaction, strengthen reputation, and support more sustainable growth. In this way, integrated human capital management becomes a key driver of organisational success.

3. Part 2 - Reflection

3.1 Reflective Learning Using Gibbs' Reflective Cycle

Description

Using Gibbs' (1988) reflective cycle, I can see that this module has significantly changed my understanding of the relationship between people management and organisational performance. Before studying Human Capital Management, I mainly viewed HR in operational terms, such as recruitment, training, and appraisal. Through this module, I came to understand that human capital is a strategic asset that shapes innovation, productivity, and long-term competitiveness (Boxall and Purcell, 2016). The Aether Innovations case illustrated this clearly by showing how turnover, weak growth, and declining customer satisfaction can be connected to deeper issues in culture, leadership, and work design.

Feelings

At the start of the module, I expected Human Capital Management to focus mainly on traditional HR activities. As I progressed, I realised that the subject was far more strategic and relevant than I had assumed. I found this both interesting and challenging. It was interesting because I could see clear links between people practices and business outcomes. It was challenging because it required me to think critically about how culture, leadership, and employee motivation interact. This made me realise that effective people management depends not only on policy, but also on empathy, communication, and trust (Marchington et al., 2016).

Evaluation

One of the most valuable parts of the module was learning to apply theory to real organisational situations. Models such as Schein's culture framework, Herzberg's motivation theory, the AMO model, and psychological safety helped me move from simply describing workplace problems to analysing why they occur (Herzberg, Mausner and Snyderman, 1959; Edmondson, 1999; Appelbaum et al., 2000; Schein and Schein, 2017). I found it especially useful to understand how poor people management can lead to weak retention, low innovation, and poor service outcomes. The main challenge was turning theory into practical recommendations, because real organisational problems are more complex than textbook examples. However, this difficulty improved my critical thinking and problem-solving skills.

Analysis

This module has deepened my understanding of how culture shapes employee behaviour. One of the most important lessons for me was that organisations may claim to value innovation and teamwork, yet if leadership behaviour and reward systems do not support those values, employees may become disengaged rather than creative. Schein and Schein (2017) show that culture is not just what an organisation says, but what it consistently rewards and expects. This changed how I think about performance, because I now see that many organisational problems begin with misalignment between values and practice.

I also learned that motivation is broader than pay. Herzberg, Mausner and Snyderman (1959) show that recognition, achievement, and growth are essential for sustained engagement. In addition, the AMO model helped me understand that people perform best when they have the ability, motivation, and opportunity to contribute (Appelbaum et al., 2000). This gave me a more complete view of performance than simply focusing on individual effort.

Another important insight concerns the future of work. The module showed that hybrid working, digital collaboration, and continuous learning are now central features of modern employment. This was especially relevant because technology-driven workplaces increasingly require adaptability and ongoing development. Cascio and Montealegre (2016) argue that technological change affects not only tasks, but also organisational structures and management practices. This made me reflect on the importance of lifelong learning and adaptability in my own career.

Conclusion

Overall, this module has changed the way I understand organisations and performance. I now see employees not simply as resources to be managed, but as strategic contributors whose knowledge, motivation, and engagement influence organisational success (Boxall and Purcell, 2016). The module has helped me develop a more critical understanding of culture, leadership, and employee development.

Action Plan

Going forward, I want to build on this learning in both academic and professional contexts. First, I will continue developing my understanding of HRM theory by applying key models to real case studies. Second, I will strengthen transferable skills such as communication, teamwork, and reflective thinking, which are important in any professional setting (Marchington et al., 2016). Third, I will pay closer attention to how culture and management behaviour affect performance. Finally, I will maintain a lifelong learning mindset so that I can adapt to changing workplaces and technologies.

3.2 Staying Relevant in the Age of AI

The growing use of artificial intelligence has made continuous learning more important than ever. AI is reshaping work by automating routine tasks, improving efficiency, and supporting decision-making across many sectors. I see AI not only as a disruptive force, but also as a tool that can enhance human capability when used responsibly. For example, it can support data analysis, workflow automation, and information processing, allowing employees to focus more on judgement, communication, and strategy (Cascio and Montealegre, 2016).

To remain relevant in the age of AI, I believe it is essential to strengthen skills that are difficult to automate. These include critical thinking, creativity, ethical judgement, adaptability, collaboration, and communication. Although AI can generate outputs quickly, it cannot fully replace human understanding of context, values, and interpersonal dynamics. This means that professionals who can interpret AI outputs, question assumptions, and make balanced decisions will remain valuable.

I also believe that staying relevant requires lifelong learning. This means updating technical knowledge, understanding how AI tools can be used ethically, and remaining open to changing work practices. In my future career, I want to use AI to improve productivity and support innovation while continuing to develop the human-centred skills that technology cannot replace. My aim is not to compete against AI, but to work effectively alongside it in a responsible and informed way.

4. Conclusion

In conclusion, Aether Innovations' challenges of flat growth, high employee turnover, and declining customer satisfaction show that its people practices and organisational culture need significant improvement. This report has argued that building a stronger culture of innovation and adopting future-focused work practices are essential to improving both employee performance and wider business outcomes. The analysis showed that culture, motivation, opportunity, and psychological safety are closely linked to organisational effectiveness (Herzberg, Mausner and Snyderman, 1959; Edmondson, 1999; Appelbaum et al., 2000; Schein and Schein, 2017). The proposed recommendations, including cross-functional collaboration, employee voice, recognition, leadership development, continuous learning, and a structured hybrid work model, provide a practical way forward. Overall, an integrated human capital strategy can help Aether Innovations create a more engaged, innovative, and resilient workforce, leading to stronger retention, better customer outcomes, and more sustainable growth.

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