

The
Management
University
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POSTGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

**DEGREE OF DOCTOR OF PHILOSOPHY IN
MANAGEMENT AND LEADERSHIP**

DHC 901: THEORIES OF HUMAN CAPITAL DEVELOPMENT

DATE: 4TH AUGUST 2026

DURATION: 3 HOURS

MAXIMUM MARKS: 50

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **10 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

QUESTION ONE

Read the case study below and answer the questions that follow:

Sunrise Textiles Ltd. was founded in 2005, during a period of growing demand for affordable garments in Kenya and the broader East African market. Leveraging relatively low labor costs and simple production techniques, the company quickly gained a strong foothold in the local industry. Its garments were affordable, and its products were widely distributed through local retailers and regional wholesalers.

However, by 2018, the business environment had shifted dramatically. The entry of global textile brands into the Kenyan market, coupled with the continued influx of low-cost second-hand clothes (mitumba), eroded Sunrise's market share. While competitors responded to these changes by investing in workforce upskilling, modern production technologies, and innovative product designs, Sunrise Textiles pursued cost-cutting measures. These included reducing training budgets, freezing promotions, and outsourcing some critical functions. These decisions had profound consequences on employee morale, productivity, and the company's overall sustainability.

One of the most pressing challenges at Sunrise Textiles was the widening skills gap. The company's employees were not trained to use modern equipment such as automated sewing machines, computer-aided design (CAD) software, and advanced quality-control systems. While competitors embraced these technologies to improve efficiency and product consistency, Sunrise continued to rely on outdated manual methods. This slowed production, increased defect rates, and drove up costs. Between 2019 and 2022, the company reported a 30% decline in productivity, making it unable to meet customer expectations or compete on efficiency.

Another major problem was employee dissatisfaction and high turnover. With limited opportunities for career growth, minimal training, and no clear pathways for advancement, many skilled workers left Sunrise for other textile firms that offered professional development and higher pay. This resulted in an annual turnover rate of approximately 40%. The high

turnover disrupted operations, inflated recruitment costs, and eroded the organization's institutional memory, further weakening its competitiveness.

When Sunrise management attempted to modernize its systems by introducing inventory management software, the initiative failed. Employees, unfamiliar with digital tools, resisted the change, fearing that it would increase their workload or make their jobs redundant. Because management had not invested in training or change management programs, the system rollout was unsuccessful, leading to inefficiencies, data errors, and wasted financial resources. The lack of employee readiness for change illustrated the long-term costs of neglecting human capital development.

The cumulative effect of low productivity, poor quality control, and employee disengagement was a decline in market share. Customers began reporting delays in deliveries and inconsistencies in product quality. Meanwhile, competitors that had invested in employee skills and innovation were able to launch new fashion lines, reduce production costs, and build stronger customer relationships. Sunrise lost several key retail contracts, which further reduced its revenue base and threatened its long-term survival.

Required:

- a) Analyse FOUR key problems that were experienced at Sunrise Textiles.

**(8
Marks)**

- b) With reference to the case, give FOUR reasons that demonstrate that the decision to cut costs was a wrong management decision.

(10 Marks)

- c) Explain FOUR specific lessons the management of Sunrise Textiles Ltd. should learn from its challenges.

(8 Marks)

- d) Suggest FOUR strategic interventions Sunrise Textiles could adopt to regain competitiveness.
(4 Marks)

QUESTION TWO

- a) The 21st-century workforce is being shaped by rapid technological change, globalization, and shifting socio-economic priorities. Drawing from emerging global workforce development trends, critically analyze the implications.

(6
Marks)

- b) RBV is operationalized through the VRIO Framework, which evaluates resources/capabilities using four criteria-Valuable, Rare, Imitable, and Organized. Explain how this can be applied to Human Capital and HR. practices.

(4 Marks)

QUESTION THREE

- a) Describe FOUR major ways Artificial intelligence is transforming human capital management?

(4 Marks)

- b) Explain how Human Capital Theory (HCT), Resource-Based View (RBV), and Social Learning Theory (SLT) complement one another in shaping modern HR practices.

(6 Marks)

QUESTION FOUR

Demonstrate how emerging trends are reshaping human capital as a source of competitive advantage.

(10 Marks)

