

The Role of Social Initiatives in Developing Front-Line Employees' Capabilities in the Service Industry: The Case of a Delivery Company

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Abstract: The response of businesses to address social issues has gone beyond the scope of traditional corporate social responsibility activities. They now include a more strategic focus on initiatives that incorporate the core business operations of the firms into solving social issues. This is perhaps coupled with heeding to Porter and Kramer's 2011 call for firms to focus on "creating a shared value." Subsequently, this new approach has attracted researchers to investigate what impacts this approach has on companies and their employees. Empirical studies have linked a firm's social initiative involvement to employee-level impacts such as motivation, retention, and identity, but its relation to employee capabilities, including skills and knowledge, has not been sufficiently investigated. Ultimately, employees' overall performance depends largely on their capabilities. Through the lens of knowledge creation theory, this study investigates the relationship between a firm's concerted involvement in social initiatives and its employee capabilities at a Japanese package delivery company by examining the case of Yamato Transport Company's delivery drivers in rural Japan. The case study was conducted at Otoyō Town in Kochi Prefecture, where a social initiative project to provide shopping support and watch-over service for elderly people has been ongoing since 2012. Data was collected primarily through project site visits, and interviews with project stakeholders, who included Yamato branch managers, delivery drivers, and local authorities involved in the initiative. Information available in the company's newsletters, annual reports, and other publicly available sources was also analyzed. Results found that social initiatives can serve as a knowledge-creation context for frontline employees as they create the opportunity for employees to socialize with customers and project partners in a collaborative manner. This rare opportunity helps employees improve on-the-job skills and other tacit capabilities such as empathy, reliability, and communication. Finally, frameworks showing the relationship, impact, and performance of social initiative involvement for a firm and its employees are presented.

Keywords: Social initiatives, Employees' capabilities, Soft capabilities, Hard capabilities, Case study

1. Introduction

While corporate social responsibility (CSR) in general is a broad term referring to companies' voluntary efforts to tackle social and environmental concerns. (Komisyonu, 2001) The social initiatives discussed in this paper are better referred to as "corporate social initiatives." (CSR) or "social initiatives," a concept described by Hess, Rogovsky and Dunfee, (2002) as projects that differ from traditional CRS activities in that they are connected to the firm's core values, based on the firm's core competencies, and have clear objectives and means of measurement. Additionally, unlike CSR, social initiatives are not pro bono projects but operate very similarly to the mainstream business of the firm and are managed like commercial projects. The main difference between social initiatives projects and commercial projects is that they have a stronger emphasis on social impact and are non-profit. (Hess, Rogovsky and Dunfee, 2002, p. 115; Bode, Singh and Rogan, 2015, p. 2)

Therefore, social initiatives can be defined as a part of corporate endeavors to address social issues based on the core business of the company through non-profit projects and programs with a social goal as their focal objective. In contemporary CSR literature, attention has been given to these social initiatives as they create value for customers, communities, and companies. At the strategic and policy level this approach is what Kramer and Porter (2011) referred to as "creating a shared value."

Furthermore, there is consensus among scholars that an important new line of inquiry is no longer whether CSR initiatives work but, rather, why companies engage in these initiatives. (Aguilera et al., 2007, p. 837; Brønn and Vidaver-Cohen, 2009, p. 91)

In response to this inquiry and to understand why companies engage in social initiatives, this research investigates what impacts social initiatives have on companies and their employees. Drawing from the perspective of knowledge creation theory, which argues that knowledge is created and converted in an enabling context through the face-to-face interaction of individuals in a process called socialization. (Wei Choo and Correa Drummond de Alvarenga Neto, 2010)

Do these social initiatives create an enabling context for socialization with players outside the organization, such as customers and other project stakeholders? And do these social initiatives enhance the knowledge and skills of the frontline workers who directly interact with customers and other stakeholders? This research examines the impacts that social initiatives have on the knowledge creation and skill development of the

employees involved, through a qualitative study of a decade-long social initiative project that provides shopping support services to elderly people. This social initiative project is conducted by Yamato Transports Co. at Otoyō Town in Kochi Prefecture, Japan. This research has two main objectives: First, to define what knowledge and skills delivery drivers (also known as sales drivers) need to effectively conduct their functions. Second, to examine how these knowledge and skills are impacted by their participation in the social initiative. The combination of this knowledge and skills is referred to as “capabilities” in this paper.

2. Theoretical Background

This section gives an academic background on knowledge creation theory, socialization, and employee capabilities. It also analyzes how these three concepts are related in the context of social initiatives.

2.1 Organizational Knowledge Creation Through Interaction With Customers

According to the theory of organizational knowledge creation, the context in which knowledge is created is known as “Ba,” and there are four types: *Interacting/dialoging “Ba,”* in which knowledge is created and converted through peer-to-peer reflection. *Cyber/systemizing “Ba,”* in which knowledge is created and converted through group-to-group collaboration. *Exercising “Ba,”* in which through active participation on-site and on-the-job knowledge emerges; and *Originating “Ba,”* where individuals share feelings, emotions, experiences, and mental models through a direct encounter, leading to the emergence of care, love, trust, and commitment, and eventually tacit knowledge emerges. (Nonaka and Konno, 1998; Nonaka, Toyama and Konno, 2000; Al-Mansour and Obembe, 2021)

This research is particularly interested in the *Exercising* and *Originating “Ba,”* where tacit knowledge is created, more specifically at individual level outside the organization and where skills are developed on-the-job. (Nonaka and Konno, 1998; Nonaka, Von Krogh and Voelpel, 2006; Al-Mansour and Obembe, 2021) Khodakarami and Chan (2014) studied how customer relationship management (CRM) systems support customer knowledge creation processes, and divides socialization into two: one that happens within the organization and one that happens with the customers outside the organization. Pereira, Ferreira and Alves (2012) argues that direct interpersonal contacts create tacit knowledge, which is a source of sustainable competitive advantage for the firm. And relationship marketing (RM) is particularly important for firms in the service industry, especially when the service requires high interpersonal contact with the customers.

There is a considerable consensus among scholars that knowledge is ‘socially constructed’ (Spender, 1996; Gibbert, Leibold and Probst, 2002). Social initiatives seem to provide an above-normal level of exposure and interactive opportunity for the employees in a context characterized by mutual collaboration of all players with positive social impact objectives and goodwill for the community.

2.2 Socialization in Social Initiatives and Employee Capabilities

In developing employee capabilities, there is no doubt that formal, structured programs of training are important, but what happens on the job is the most important element in the growth of employee capabilities in confronting problems. (Bennett, 1969, p. 45) Therefore, having discussed how knowledge creation occurs through interaction with customers and other stakeholders in an enabling context called “Ba,” we could ask the following questions: Can social initiatives be an enabling context for knowledge creation for the company by serving as a “Ba” for individual employees to interact and share tacit knowledge with the project stakeholders? Can social initiatives create a conducive new environment for frontline workers to sharpen and improve their skills, thereby improving their overall capabilities? And why are employee capabilities an essential part of a firm’s competitive advantage?

“Socialization in practice involves capturing knowledge through physical proximity, creating, and converting tacit knowledge between individuals. This process of acquiring knowledge is largely supported through direct face-to-face interaction with stakeholders such as suppliers and customers.” (Nonaka and Konno, 1998, p. 43) Socialization can happen beyond organizational boundaries (Chou and He, 2004, p. 147). And according to Tsoukas and Vladimirou (2001, p. 983) in organization context, knowledge is the capability its members have that enable them to draw distinctions in a *concrete context* based on collective understanding and experience.

2.3 Employee Capabilities

“Employee capabilities are a measurable pattern of knowledge and skills, but also behaviors, and other characteristics that differentiate high from average performance” (Maley, 2019, p. 147) additionally, they are

knowledge-based, firm-specific, and socially complex (Maritan, 2001, p. 514). connected with decision-making, problem-solving, self-esteem, and task completion abilities (Gohar et al., 2015, p. 153).

Bontis and Serenko (2007) acknowledged that capabilities depend on training and development programs, and job satisfaction levels. Kakui and Gachunga, (2016) revealed that on-the-job training influences the performance of employees by increasing their motivation and providing additional capabilities and networking opportunities. Knowledge from formal education and skills acquired through on-the-job training increase employees’ capabilities. Ultimately, interactions among various actors in an enabling context increase capabilities. (Gohar et al., 2015; Dal Mas et al., 2020, p. 213)

Management scholars emphasize the importance of employees’ capabilities for various reasons, the main of which is that employee capabilities can serve as a critical competitive advantage for a firm (Eicker, Kochbeck and Schuler, 2008) as well as a means of sustainable productivity. (Dabić, Maley and Nedelko, 2023)

Maritan (2001) argued that investing in employee capabilities is one of the most critical type of capital investment a firm can make. Employees’ capabilities can also serve as options, because they reduce the cost of adjustments when changes occur, preserve value, and create flexibilities of decision and operation according to Maley (2019), who urges firms to develop employees’ capabilities proactively.

2.4 Classification of Employees’ Capabilities

Capabilities can be defined as a measurable pattern of knowledge, skills, and other attributes that collectively contribute to an individual's overall ability and performance. This comprehensive definition of capabilities allows us to perceive employees’ capabilities in relation to an individual’s holistic abilities to perform a task or function. This way, we will be considering not only their technical skills but also their attitude, self-esteem, experience, and other characteristics that significantly impact their performance. With this dynamic definition, we can further categorize employee capabilities into two main types: *Hard and Soft capabilities*. (Laker and Powell, 2011; Robles, 2012; Voogt and Roblin, 2012; 2020; Romero et al., 2022) as cited in (Dabić, Maley and Nedelko, 2023)

Table 1: Employee Capabilities

Employees Capabilities				
Soft Capabilities			Hard Capabilities	
Tacit knowledge	Relations skills	Conceptual skills	Explicit knowledge	Technical skills

The classification of skills into conceptual, technical, and relational skills is adapted from Katz, (2009) which aligns with Katz's earlier work on the “*Skills of an effective administrator*” (Katz, 1955) Additionally, the distinction between tacit and explicit knowledge follows the framework proposed by Nonaka and Takeuchi (2007). What is novel about this classification is the integration of skills and knowledge as integral components of capabilities, this approach reflects more on the productivity of frontline workers.

For instance, we can consider *Experience* as a component of capability, wherein employees gain additional knowledge (tacit or explicit) and further develop skills (conceptual, technical, or relational) through their experiences. And we can view *Attitudes* as an important component of capabilities, with attitudes towards work falling under conceptual skills and attitudes towards people falling under relational skills.

By including experience and attitudes as components of capabilities, we acknowledge their significance in shaping an individual's abilities.

Furthermore, this perspective aligns with the notion that capability development is an ongoing process. It entails a measurable pattern of knowledge, skills, and other attributes that contribute to an individual's overall ability and performance. Both attitudes and experiences change over time, further emphasizing the dynamic nature of capability development.

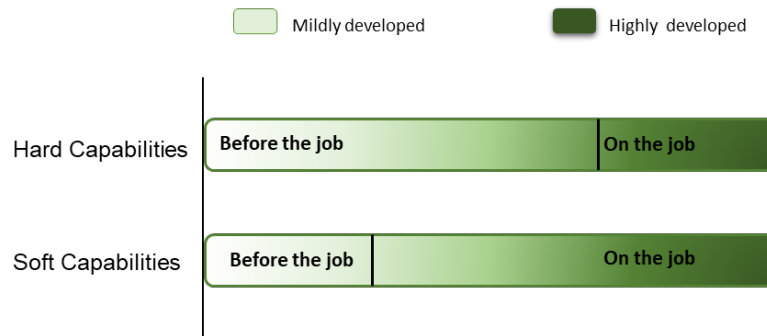


Figure 1: Development of Capabilities on the job and Before

2.4.1 Hard capabilities

These are knowledge and skills that are easily codifiable, measurable, transferable, and earned through learning and training.

Hard capabilities consist of explicit knowledge, such as familiarity with traffic rules and road regulations, knowledge of the local area map, and understanding package handling procedures. They also encompass technical skills, including driving proficiency, IT skills, and the ability to operate machines and devices on the job.

These are all foundational requirements that sales drivers must meet before they can undertake independent delivery missions, ensuring safety and operational efficiency. Employee manuals, skills training courses, and rulebooks are common sources of hard capabilities.

The absence of these hard capabilities can have operational consequences for the company. Therefore, it is crucial for employees to possess a high level of hard capabilities before they commence their job functions. Furthermore, since capability development is dynamic in nature, these capabilities are further enhanced through on-the-job training.

2.4.2 Soft capabilities

These capabilities have a significant impact on an employee's performance in sales and service-related functions. But they are hard to measure, codify, and transfer. They are primarily developed through experience, intuition, and attitudes. Soft capabilities encompass relational skills, such as effective communication and the ability to establish and maintain positive relationships. They also involve conceptual skills, such as problem-solving and the ability to handle unpredictable situations. In addition to tacit knowledge related to understanding customers' situations and emotions at a deeper level, as well as empathizing with them. Soft capabilities are acquired through experience in various situations and under different circumstances on-the-job. While they are partially developed during onboarding training, they are predominantly obtained after employees have started their job.

3. Methodology

This case study used a qualitative research method, as this provides the flexibility to explore complex concepts from the vantage point of the participants. (Webb and Mohr, 1998) This study involved going to the social initiatives project sites and having face-to-face semi-structured interviews, follow-up Zoom interviews, telephone calls, and email exchanges.

The dialogs were mainly focused on understanding the way the social initiatives were implemented, the relationships between different stakeholders, and their perspectives on the impact on all stakeholders involved. The interviews were conducted without sharing the main research objective with the interviewees.

The main interview talking points are as follows:

- What kind of knowledge and skills do sales drivers need to be better performers than average?
- How are these social initiatives conducted, and what sort of relationships does the firm have with the partners?
- How do stakeholders view their participation in these initiatives? And what are their views on their counterparts' participation?

- What does the company’s participation mean for frontline employees?

However, the question of what determines employee performance was not investigated, as this may be out of the scope of this paper. And the assumption is that employee capabilities influence performance.

3.1 Research Context

Because of the aging and declining population in Japan, rural communities face numerous problems, including businesses and shops closing because of a lack of sales. Otoyo Town is in the mountains; according to one of the interviewees, the town is about 80% mountainous, and this makes movement within the town hard. In April 2023, the population of the town was 3,181 residents, according to the town’s official data, a decrease from 4,719 in 2010. About 60% of the population is at least 65 years old. (Marcus, 2022; Otoyo Town, 2023) With declining sales, shop-owners cannot afford to give a free delivery service to customers who struggle to come to the shops, and neither can the elderly customer with minimal income afford an extra delivery fee at the market rate.

On the other hand, Yamato Transports is a leading Japanese logistics company, with 46.6% of the domestic parcel delivery market share as of 2022. Additionally, the company uses its extensive network and human resources to partner with local authorities in resolving social issues and revitalizing local communities through social initiatives solutions. By December 2019, the company had 1075 active social initiatives projects around Japan, all aimed at addressing issues faced by local communities by collaborating with local governments and authorities. (Yamato Holdings, 2019, 2020, 2022)

Yamato Transport and Otoyo Town’s authorities started a social initiative project in November 2012 with the aim of offering shopping assistance and watch-over services for the elderly people in the town. (Yamato Holdings, 2013, p. 9) Under this initiative, the elderly customer can place an order by making a call to one of the participating shops in the town, and then the shopkeepers organize the package in a container that can be up to 35 cm×49 cm × 33 cm in size with a maximum weight of up to 25 kg. The delivery price is JPY150 (about USD1.1) per container. Orders placed before 11:00 AM will be delivered on the same day by Yamato sales drivers to the customers’ residence, who will collect payment of the delivery fees and price of goods upon delivery. Additionally, the local government also covers some of the project expenses.

3.2 Data Collection Method

This research involved semi-structured, one-to-one, and one-to-two interviews with social initiatives project participants between April 2022 and April 2023. It involved talking with stakeholders namely sales drivers (two interviews) managers at the Yamato Transports (two interviews), officials from the longevity and welfare division in Otoyo town and Nishiwaki city (two interviews one email questionnaire); Otoyo Chamber of Commerce (two interviews). Additional material on the company’s and Otoyo town’s websites and publications publicly available were also used.

Table 2: List of Interviewees

Semi-structured Interviewee	Gender
Yamato Transport Co. manager 1	Male
Yamato Transport Co. manager 2	Male
Yamato Transport Co. sales driver 1	Female
Yamato Transport Co. sales driver 2	Male
Otoyo Town Chamber of Commerce official 1	Male
Otoyo Town Chamber of Commerce official 2	Male
Otoyo Town longevity and welfare division official	Male
Nishiwaki City longevity and welfare division official 1	Female
Nishiwaki City longevity and welfare division official 2	Male

4. Findings

To examine the impact of social initiatives on employees' capabilities through knowledge creation and on-the-job training, the research focuses on how soft capabilities are potentially influenced during the social initiatives, and if the chance for socialization to create tacit knowledge is present.

4.1 Building Relationship With Customers

Social initiatives enable frontline employees to build closer relationships with the customers and partners compared to normal business operations. This is because sales drivers in these initiatives are encouraged to create a closer relationship with the customers they serve. The guiding principle behind Yamato's social initiative, as shared by one of their managers, is rooted in the belief that their sales drivers' success is tied to the success of their customers. He gave an example of instances when sales drivers would see elderly people walking around areas far from their known residence, and the sales drivers would stop to ask the elderly customers if everything was okay and confirm if they had lost their way home. This is how familiar the sales drivers can be with the customers, he explained.

He also gave an example of an instance when one of the sales drivers came to the office and asked colleagues if they knew any good honey dealers in the area. Apparently, a shop-owner participating in the social initiative had asked the sales driver to help him find a good honey supplier in the area because the sales drivers deliver in different towns, so they know more people in the neighboring area. Because of the close interpersonal relationship, the sales drivers have with the customers and shop-owners, they are able to help out with things outside of the usual business of delivering goods.

Similarly, at Nishiwaki city, welfare official 1 described to me how Yamato employees in the city have become conscious of watching over the elderly even outside their business hours, and she quoted an instance when a sales driver found an elderly person who was sick and crouching outside, called out to the elderly, and helped.

Helping customers find their way back home or when they are feeling ill and helping shop-owners find new honey suppliers all indicate how close a relationship the sales drivers have with the customers in these initiatives.

There is continuous consultation with the partners in the projects to reflect and make potential adjustments. I learned from Otoyo Chamber of Commerce officials that at the end of 2021, after consultation with Yamato and the Town Office, they concluded that one of the stores that had the largest demand at the time was to be removed from the initiative as it was able to attract enough customers even without the initiative, bringing down the total active stores in the initiative to 13 stores as of April 2023.

4.2 Spending More Time and Being Watchful

The sales drivers spend more time with the customers in the social initiative than they would in their normal day-to-day business operations. The Otoyo Town's social initiative has two main aims: To make delivery of shopping items to the customers' residents, and to check on the elderly customers' state of health. They check on their health conditions by asking them a few questions during the delivery and by observing their behavior. This is why these social initiatives are called shopping support and watch-over service, there were 150 nationwide including Otoyo Town and Nishiwaki City.

The watch-over support service is when a delivery driver makes a delivery to the household of an elderly person, usually living alone, talks to them and observes if there is any apparent health issue, then reports this to the local authorities. In Otoyo Town, reports of "serious cases" are rare. According to Otoyo Town longevity and welfare division officials, the last time a case was reported was about a year ago (2022).

Moreover, a similar watch-over initiative is underway in Nishiwaki City. Unlike Otoyo, where sales drivers are encouraged to have a casual chat with the customers, the sales drivers are given a questionnaire with three health-related questions to ask customers during delivery. These health-related questions are asked to check on customers' health status. Therefore, either through a small chat and observation of their behaviors as in Otoyo Town or a structured questionnaire as in Nishiwaki City, sales drivers spend more time with customers during their delivery missions in the watch-over service social initiatives.

4.3 Soft Capabilities on-the-Job

Regardless of location and project, all sales drivers have a similar basic onboarding training program, but soft capabilities are developed on-the-job. "There are two kinds of training. The first is the training in basic skills,

such as how to drive and how to deliver. This form of training is easily learnt from manuals. The second is training in service skills, which cannot be acquired from manuals. In Yamato, service skills are interpreted as the ability to judge what to do independently in any situation, in accordance with the guidelines established by the corporate philosophy.”(Liu and Goh, 2015)

The same sentiment is confirmed by Yamato Manager 1. He explained to me that the company is mostly concerned from a risk standpoint with avoiding traffic accidents and maintaining the company’s good reputation. And added that sales drivers are not only delivery drivers, but also salespeople, trained to be so.

Their training includes the necessary driving skills including traffic rules what to do in special circumstances, how to park in hilly and narrow streets, and they are given enough time to familiarize themselves with the map of the area. Additionally, they are trained on how to interact with customers and solve their issues on training courses and on the field before they can embark on independent delivery missions. One such training that sales drivers go through includes how to deal with people living with dementia.

However, it is safe to assume that those sales drivers dealing with the elderly in the watch-over support service social initiatives are more likely to in fact interact with people living with dementia, making these initiatives a unique on-the-job training for the employees to encounter more realistic situations in this sense.

Three respondents share the sentiment that soft capabilities such as communication, patience, and empathy of sales drivers have improved during their participation in social initiatives. (Yamato Manager 1, Nishiwaki city welfare official 1 and chamber of commerce official 1)

5. Discussions of Findings

This section will discuss social initiatives in more detail and their impact on the main players, and then further delve into their impact on employees’ capabilities. Although the main goal of social initiatives is to have a positive social impact for the community and its members, "it is important to note that organizational benevolence does not necessarily exclude the simultaneous pursuit of self-interested objectives." (Beveridge and Höllerer, 2023, p. 4)

5.1 Impact of Social Initiatives on the Firm and Community

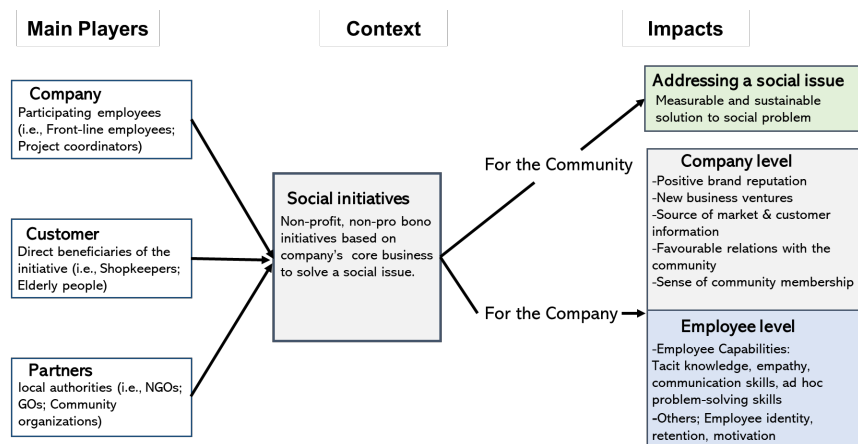


Figure 2: Impact of Social Initiatives on Stakeholders

5.1.1 Main players

(a) The *Company* provides resources, including human capital, through the participation of its employees. In this case study, this includes sales drivers who deliver items to elderly residents. A key distinction between social initiatives and other CSR initiatives is that the company offers a solution based on its core business and providing this service at a rate below the commercial market price, without compromising the quality of service. Unlike commercial projects, where profit is the goal, social impact takes precedence in social initiatives.

(b) The *Customer* represents the second player. These are typically the citizens of the community, directly benefiting from the social initiatives' intended social impact. This includes elderly people and local storeowners because the initiative addresses the issue of shops going out of business due to low revenue and a lack of buyers. Additionally, elderly individuals who face challenges walking long distances to purchase

essential items, primarily due to their age and the town's mountainous terrain, can conveniently buy their basic daily needs with a simple phone call.

(c) The *Partners* form the third group of stakeholders involved in social initiatives. These partners can be NGOs or community-based associations that collaborate with the company in implementing the social initiative projects. In the case of Otoy Town, the partners include local authorities such as the chamber of commerce and the social welfare division at the town office. The chamber of commerce is committed to revitalizing the town's economic activities, while the town office is responsible for the welfare and well-being of the town's residents, including the elderly.

5.1.2 Context

There are several distinctive features of social initiatives that provide employees with opportunities for on-the-job training to enhance their capabilities.

Firstly, the stakeholder dynamic among the major players differs from that in commercial operations. In social initiative projects, collaboration and partnership are key characteristics as the main players work together to address a common social issue. This dynamic is underpinned by mutually beneficial relationships and a shared goal among the company, customers, and government (GOs) or non-governmental partners (NGOs) involved in the initiatives. The second feature of social initiatives is that they have specific and measurable social impact goals, with the company contributing based on its core business. For instance, Yamato's contribution to this social initiative involves delivering orders from shops to the homes of elderly people. Given that Yamato holds the highest market share for home delivery in Japan, delivering packages to homes aligns perfectly with their core business competency. This means that employees participating in the social initiative will be performing tasks similar to their day-to-day operations but within a different context.

5.1.3 Impacts

On the one hand, the community can address a pressing issue it faces by collaborating with a market-leading company, which offers its services at a price below the market rate. On the other hand, impacts at the company level include a positive brand reputation, where the market perceives the participating company as an active social contributor, and the community views the company favorably, seeing it as genuinely concerned about their well-being.

Secondly, social initiatives serve as sources for new business ventures. For example, in the case of Yamato, the company has achieved 100% coverage of last-mile delivery across the country. The company can deliver packages to virtually any location, including golf courses and ski resorts. Therefore, while social initiatives may not yield immediate financial profitability, they provide an effective means for the company to utilize its existing network and manpower to expand its market share by increasing the number of packages delivered year-on-year. At the employee level, involvement in social initiatives fosters the development of employee capabilities in several ways. First, it serves as a context for organizational knowledge creation, with frontline workers actively participating and socializing with customers and partners. This knowledge eventually becomes part of the organizational knowledge base.

Second, social initiatives help employees enhance their relational skills, as they closely collaborate with other stakeholders and build close relationships. Additionally, employees' conceptual skills are also honed, as they often require ad hoc problem-solving, at a level different from regular business operations. Therefore, it is reasonable to argue that involvement in social initiatives provides the company with a competitive advantage in the long run. This advantage stems from the positive impact on brand reputation, new business ventures, customer trust, organizational capabilities, and employees' capabilities.

5.2 The Impact of Social Initiatives on Employee Capabilities and Firm's Competitive Advantage

According to Alipour, Idris and Karimi (2011) the success of a company will depend to a large extent on the capabilities of its members developed through knowledge creation. If a company has employees who can fulfil their functions and responsibilities based on their capabilities, both hard and soft, the company will gain a reputation commensurate with their performance. Moreover, what differentiates a high-performing firm in the services industry is the soft capabilities of its customer-facing employees. particularly because in the service sector, sales skills and human relations are as relevant as the service rendered. While hard capabilities contribute to the company's reputation, the human relations and emotional aspects accompanying the service are what give a company an edge over its competitors.

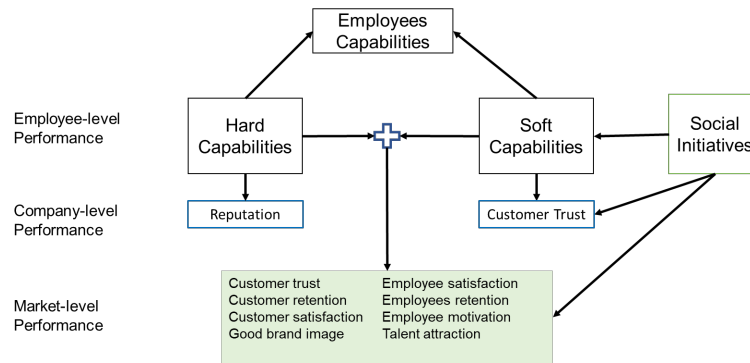


Figure 3: Social Initiatives on Employees' Capabilities and Firm Performance

6. Conclusions

In defining the knowledge and skills necessary for sales drivers to effectively carry out their functions, two main types of capabilities are identified. Although both types are improved on-the-job, hard capabilities can be developed to advance levels before the start of the job. On the other hand, soft capabilities are mostly developed on-the-job through experience, and social initiatives give employees a unique experience to enhance their soft capabilities. Additionally, soft capabilities developed through social initiatives are considered relevant for a firm's competitive advantage as they are acquired in a context different from the commercial market.

However, this research is not without limitations, this includes its focus on a rural area in Japan, which may restrict the generalizability of the findings to other regions. Nevertheless, the study contributes to academia by offering insights on how social initiatives can enhance firm performance through employee capability development. This understanding can benefit management practitioners by utilizing social initiatives as tools for employee development and organizational knowledge creation.

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