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From Potential Value to Recognised Value: Situational Value Theory

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Abstract

Purpose

To develop Situational Value Theory (SVT), a conceptual explanation of how the value potential of human capability becomes organisationally realised under particular situational conditions. The paper addresses the limited understanding of why equivalent capabilities generate markedly different organisational value despite no substantive change in their underlying knowledge, skills, or behaviours.

Design/methodology/approach

This paper adopts a conceptual theory-building approach. It synthesises literature on human capability, organisational value, and valuation to develop SVT. The theory distinguishes between value potential, the latent capacity of human capability to contribute to organisational outcomes, and organisationally realised value, which emerges through the interaction of capability, situational conditions, and recognition.

Findings

SVT proposes that organisational value is not a stable property of individuals or competencies but is realised through the alignment of capability with situational conditions and the recognition of contribution by organisational actors. The theory explains why human capabilities generate different organisational value across contexts without assuming changes in the capabilities themselves.

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Originality

SVT reconceptualises the relationship between human capability and organisational value by explaining not how human capability creates organisational value, but how the value potential of human capability becomes organisationally realised. In doing so, the theory provides a new conceptual foundation for understanding organisational evaluation, capability utilisation, and the situational realisation of human value potential.

What is value?

Everyone talks about value, but almost nobody agrees what it is. For something so central to economic life, value remains a remarkably elusive idea (Zhang, 2025). Organisations speak constantly of creating value, adding value, measuring value, rewarding value, and demonstrating value. Employees are recruited because they are expected to create value, universities promise to deliver value to students, consultants sell strategies for unlocking value, while governments justify policy through appeals to value for money. The assumption appears almost self-evident: value is something that exists, can be recognised, and, with sufficient effort, can be measured. Yet the moment we ask what value actually is, agreement quickly dissolves.

Economists have long debated whether value resides in labour, utility, scarcity, or exchange (Andersson & Werkmäster, 2021). Management scholars variously locate value in competitive advantage, customer satisfaction, capabilities, or organisational performance. Sociologists emphasise legitimacy, status, and social recognition. Psychologists explore individual preferences and motivations. Anthropologists, meanwhile, have often regarded value not as a property of objects or actions at all, but as a cultural process through which societies determine what is considered worthwhile. Rather than converging on a single

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definition, these perspectives reveal that value is one of the most contested concepts in the social sciences (Graeber, 2005; Heinich, 2020; Munoz-Dardé, 2026; Willigenburg, 2004). Business organisations live within this ambiguity every day: consider two employees who possess identical knowledge, skills, and experience. One is praised as indispensable while the other remains largely invisible. A researcher spends months developing an idea that is ignored until circumstances suddenly change, at which point it becomes strategically essential. An entrepreneur succeeds with an innovation dismissed by previous employers. A competency celebrated in one organisation becomes irrelevant in another. If value were simply an intrinsic property of knowledge or capability, such shifts would be difficult to explain, yet they are commonplace.

Drawing on business anthropology invites us to treat these observations not as anomalies but as clues. Anthropologists have long argued that value emerges through relationships, meanings, and collective practices rather than existing independently of them. What counts as valuable depends upon the social worlds within which people act. The same object may carry radically different meanings across cultures; the same activity may be honoured in one community and ignored in another. Value, from this perspective, is never simply possessed, it is continually produced through interaction.

Organisations can be understood in much the same way. They are not merely systems for allocating resources but cultural worlds that define what matters, whose contributions are noticed, and which forms of knowledge are rewarded. Every organisation develops its own assumptions about what constitutes worthwhile work and these assumptions are rarely fixed. They evolve alongside strategic priorities, technologies, market conditions, institutional pressures, and the interpretations of organisational actors themselves. Consequently, the value of any capability cannot be understood independently of the situations in which it becomes meaningful.

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This observation suggests that much contemporary thinking treats value as though it were an enduring characteristic of individuals, competencies, or resources. Human Capital Theory (HCT), resource-based perspectives, competency frameworks, and talent management approaches frequently assume that valuable capabilities remain valuable across contexts, with organisational success depending largely upon identifying, acquiring, and deploying them effectively. While these perspectives differ considerably, they share an implicit ontology in which value is treated as relatively stable.

This paper advances an alternative proposition. Drawing upon insights from business anthropology, it argues that value is fundamentally situational. Capabilities undoubtedly possess potential, but whether that potential becomes recognised as value depends upon the situation within which it is enacted and the extent to which that enactment is acknowledged as meaningful. Knowledge does not simply create value because it exists; it creates value when circumstances make it relevant and organisational actors recognise its significance. Situational Value Theory therefore shifts the focus from asking whether individuals possess valuable capabilities to asking how situations enable particular capabilities to become valuable while rendering others temporarily invisible. Value is understood not as a fixed property waiting to be measured, but as a dynamic relationship between capability, situation, and recognition. In doing so, the paper offers an ontology of value that explains why the same competencies can move repeatedly between obscurity and significance without themselves fundamentally changing.

For clarity, four related but distinct concepts are used throughout this paper. *Value recognition* refers to the broader process through which organisational actors identify, interpret, and evaluate potential sources of value. *Recognition processes* refer to the specific mechanisms through which such evaluations occur. *Recognised value* refers to the value ultimately acknowledged, legitimised, and acted upon within a particular organisational

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context. Finally, *valuation* refers to the act of assessing or attributing worth. Distinguishing these concepts allows a more precise examination of how potential value becomes recognised as organisationally consequential.

Value through the Lens of the Organisation

Organisational life depends upon continual judgements about value. Recruitment, promotion, performance evaluation, succession planning, and resource allocation all rely upon assumptions concerning which capabilities are valuable and why. Yet organisations routinely encounter situations in which individuals possessing similar knowledge, skills, and experience are recognised very differently. Behaviours regarded as exemplary leadership in one organisational setting may be interpreted as disruptive in another, while competencies celebrated within one role may remain largely invisible elsewhere. Such variation suggests that the relationship between capability and recognised value is neither fixed nor straightforward.

Research on HCT has made substantial progress in explaining how education, experience, and competencies contribute to organisational performance. Meta-analytic evidence demonstrates consistent associations between human capital and firm-level outcomes (Crook, Todd, Combs, Woehr, & Ketchen, 2011), while subsequent work has shown how individual knowledge and skills combine to form collective organisational resources (Ployhart & Moliterno, 2011). These perspectives have significantly advanced understanding of how capabilities are acquired, developed, and deployed. However, they largely assume that valuable capabilities retain their value across contexts, with differences in organisational

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outcomes explained by deployment, accumulation, or utilisation rather than by the circumstances under which value becomes recognised.

Recent conceptualisations of value challenge this assumption by distinguishing between value and valuation. Heinich (Heinich, 2020) argues that value should not be understood simply as an inherent property of an object, action, or individual, but considered alongside the social practices through which worth is attributed and established. This distinction shifts attention away from whether something possesses value towards the processes through which it becomes valuable within particular contexts. Applied to organisational settings, this raises an important question: if capabilities possess the potential to create value, how do particular situations enable some capabilities to become recognised as valuable while others remain overlooked?

Consequently, comparatively little attention has been devoted to the ontological status of value itself. Existing theories frequently infer value from observable outcomes, performance indicators, or organisational success, presuming that capability naturally translates into recognised contribution when effectively applied. Variation is therefore typically attributed to differences in institutional context, task requirements, or evaluative judgement. What remains under-theorised is how capabilities possessing the potential to contribute become recognised as valuable in some organisational situations while remaining largely unrecognised in others, despite no substantive change in the underlying knowledge, skills, or behaviours.

This paper argues that capabilities should be understood as possessing *value potential* rather than fixed value. Value potential refers to the latent capacity of knowledge, skills, behaviours, and experience to generate recognised organisational contribution. Whether that potential becomes realised depends not only upon the existence of capability but also upon the situation within which it is enacted and the interpretive processes through which organisational actors recognise its significance. A project manager, for example, possesses

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project management capability irrespective of circumstance, yet the organisational value of that capability can only be realised when an appropriate project exists and the successful application of those capabilities is recognised as meaningful by others.

To explain this process, the paper introduces Situational Value Theory (SVT), a conceptual framework proposing that recognised value emerges through the interaction of three interdependent elements: capability as value potential, the situation within which capability is enacted, and the recognition processes through which contribution becomes intelligible and legitimate. Rather than treating value as an inherent property of individuals or competencies, SVT conceptualises value as relational, emergent, and situationally realised.

By shifting attention from the possession of capability to the conditions under which capability becomes recognised as valuable, SVT offers a new way of understanding organisational evaluation. It explains why equivalent capabilities generate markedly different recognised value across organisational settings without assuming any change in the capabilities themselves. In doing so, the theory provides an ontological account of organisational value that complements existing human capital research while extending current understandings of how value is realised in organisational practice. Rather than measuring or optimising value, SVT reframes how value is understood, recognised, and theorised within organisations.

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Problem Statement

Despite sustained academic interest in human capital, the value of skills, knowledge, and professional attributes is still largely understood as an individual asset realised through

deployment within defined organisational roles (Marvel, Davis, & Sproul, 2016; Nafukho, Hairston, & Brooks, 2004; Sweetland, 1996). Human Capital Theory has been effective in explaining how investment in education and experience contributes to productivity and economic outcomes, yet it has paid less attention to how the value of human action is recognised, interpreted, and made meaningful within specific situations (Marginson, 2019). As a result, substantial forms of value remain unacknowledged, not because they are absent, but because the conditions through which value becomes visible are poorly understood.

In organisational settings, individuals retain inherent skills and behaviours that fall within their formal role expectations. However, the value of these contributions is not fixed or intrinsic; rather, it emerges through interaction with situational contexts, social actors, and material arrangements. When these contexts shift, the same skills may be interpreted as highly valuable or unrecognised, even though the underlying human capital remains unchanged. Going back to the project manager, if there is no project to manage, the skills are retained but the recognised value of those skills can shift from valuable to diminished. The human capital, or potential value, of the project manager remains the same, but the recognised value is dependent on the situation that project manager finds themself in; is there a project to manage at that time or not?

Existing theory offers limited conceptual tools for explaining how and why such shifts in value recognition occur. Although prior research has examined interpretive processes, relational dynamics, and narrative construction within organisations, these perspectives have not been sufficiently integrated to explain how value is realised within human capital. Consequently, there remains a conceptual gap in understanding how value is constituted

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through the interaction of context, interpretation, and articulation in everyday organisational settings.

Situational Value Theory addresses this gap by reframing value as an emergent outcome of situational conditions. It offers a conceptual lens for understanding why equivalent capabilities or potential generate different levels of recognised value across contexts, and why meaningful contributions may remain unrecognised within organisational life.

Theory Development Approach

SVT was developed through conceptual synthesis rather than through the extension of a single theoretical standpoint. The selection of theoretical perspectives was guided by their ability to highlight different dimensions of the value recognition problem. Human Capital Theory was used to conceptualise capability as value potential. Sensemaking perspectives were selected for their explanatory power regarding organisational interpretation and meaning construction. Actor-Network Theory was incorporated to account for the situational and relational conditions within which capabilities become actionable. Narrative identity perspectives were included because they explain how contributions become articulated, legitimised, and rendered intelligible to others. Individually, each perspective highlights an important aspect of organisational life. Collectively, however, they uncover an explanatory gap concerning how potential value becomes recognised as organisationally valuable under particular situational conditions. SVT emerged through addressing this gap.

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Limits of Existing Approaches to Value Recognition

Existing theoretical approaches offer important insights into how action, meaning, and contribution are produced in organisational contexts. However, each addresses only a partial dimension of how the value of human capital becomes recognised in practice. While these perspectives have advanced our understanding of work, interaction, and interpretation, they stop short of offering an integrated account of how value is realised under specific situational conditions.

Human Capital Theory (HCT), for example, has been highly effective in explaining how education, experience, and competencies contribute to productivity and economic outcomes (Crook et al., 2011; Marginson, 2019; Sweetland, 1996). Its strength lies in clarifying how investment in people generates potential returns. However, HCT tends to treat value as a skill that is developed and used, offering limited insight into how value becomes visible, interpreted, or legitimised within everyday organisational situations (Marginson, 2019). As a result, the processes through which human capital is recognised as valuable often remain implicit.

Sensemaking perspectives foreground the interpretive processes through which actors construct meaning in uncertain or ambiguous contexts (Adamu, Raza, & Mohamad, 2024; Asik-Dizdar & Esen, 2016; Brown, 2015; Hulst & Tsoukas, 2023; Liu, Zhang, Cao, & Cao, 2025; Maitlis & Christianson, 2014; Panda, Sinha, & Jain, 2022; Sandberg & Tsoukas, 2020; Weick, Sutcliffe, & Obstfeld, 2005). This work provides important insight into how individuals come to understand their roles, actions, and environments, expanding on the view of Brown *et al.,* (Brown, Stacey, & Nandhakumar, 2008), where in a study of organisational

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identity, Brown *et al.* showed how narrative sensemaking supports the ongoing construction and maintenance of meaning and legitimacy in uncertain contexts (Brown et al., 2008). However, sensemaking research has rarely treated value itself as an explicit analytical focus. While meaning-making is central to organisational action (Adamu et al., 2024), how such interpretations translate into recognised contribution or valued outcomes has not been the central focus of current theories.

Actor–Network Theory (ANT) offers a relational account of action, emphasising how outcomes emerge through configurations of human and non-human actors (Engeström & Blackler, 2005; Panda et al., 2022; Thompson, Verduijn, & Gartner, 2020; Whittle & Spicer, 2008). This perspective highlights the importance of situational arrangements in enabling or constraining action. Yet, within ANT, value is often treated as implicit or secondary to the analysis of networks and agency. The theory explains how action becomes possible, but offers less guidance on how certain actions come to be regarded as more valuable than others across contexts.

Narrative approaches have shown how individuals articulate and legitimise their contributions through storytelling and identity work (Ibarra & Barbulescu, 2010; McAdams & McLean, 2013; Vaara, Sonenshein, & Boje, 2016), highlighting the role of narrative in making work intelligible when outputs are complex or difficult to observe. SVT builds on Brown's (Brown, 2022) view of identity as an ongoing narrative accomplishment through which organisational actors make sense of themselves and their actions over time. SVT also extends Hay *et al.*'s (Hay, Parker, & Luksyte, 2021) position that narrative practices are used to establish legitimacy and credibility in organisational contexts characterised by ambiguity. While these perspectives explain how meaning, identity, and legitimacy are constructed, they

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largely take value as overt. SVT extends this work by explicitly theorising how narrative practices contribute to the recognition and realisation of value, particularly when skills are enacted outside established role boundaries.

Taken together, these approaches highlight key aspects of interpretation, relationality, and articulation, yet they do not provide a synergistic and coherent explanation of how the value of human capital is constituted situationally. This conceptual gap is not due to the inadequacy of existing theories, but to the absence of an integrative framework that places value at the centre of analysis. Addressing this gap requires a way of thinking about value that connects interpretation, relational configuration, and narrative expression without reducing value to any single dimension. It is important to distinguish SVT from adjacent theoretical perspectives. The theory does not seek to replace Human Capital Theory, resource-based perspectives, contingency approaches, signalling theory, or legitimacy-based explanations. Each provides important insight into how capabilities are developed, deployed, matched to organisational requirements, communicated to relevant audiences, or translated into performance outcomes. SVT addresses a different, though related, question: how capabilities possessing value potential become recognised as organisationally valuable under particular situational conditions. In this sense, SVT complements existing theories by focusing on the relationship between value potential and recognised value rather than on capability acquisition, utilisation, or performance alone.

Conceptual Model of SVT

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This paper offers a conceptual model which illustrates how potential value, inherent in human capability, can be amplified by situational and recognition into recognised value. At the foundation of the model lies *potential value*, defined as the embodied skills, knowledge, and capabilities associated with human capital. These capabilities possess intrinsic potential for contribution independent of any specific situation or context. However, potential value does not automatically translate into improved outputs; the translation from potential to *recognised value* occurs through *recognition processes*. Recognition refers to the interpretive and evaluative mechanisms through which actions, behaviours, and competencies are rendered meaningful and legitimate within organisational settings. Recognition is not a passive acknowledgment of inherent worth; it is an active process that determines whether and to what extent potential value becomes visible and consequential (Dimov & Pistrui, 2022).

Recognition processes are shaped and structured by *situational configuration* (Berglund & Dimov, 2025; Coghlan & Nzembayie, 2025). Situational configuration encompasses the relational, structural, and material conditions within which action occurs, including role expectations, power relations, task interdependencies, technologies, and prevailing interpretive frames. Within this framework, the recognition processes are sense-making, actor-network and narrative identity. These conditions influence which behaviours are noticed and made sense of, how they are interpreted within the network of human and non-human actors, and whether they are deemed valuable and reported.

Recognised value represents the degree to which potential value is amplified or attenuated through recognition. When situational conditions align with existing capabilities, recognition processes amplify potential value, increasing its visibility and legitimacy. When misalignment occurs, recognition may lessen or obscure potential value, leading to reduced or unrealised contribution. To go back to our example, the project manager has inherent project managements skills (potential value), a project to manage, the tools with which to manage

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that project (situational configuration), established outcomes by which to measure the success of that project, and a way of disseminating the results of that project (recognition processes), which leads to a successful outcome (recognised value).

To clarify the relationships between these elements, Figure 1 presents Situational Value Theory as a conceptual model linking potential value, situational configuration, recognition processes, and recognised value. The relationship between potential value and recognised value can be expressed as the mathematical function (f), where recognised value (V_R) is a function of, and emerges from potential value (V_P) operating under specific situational conditions (S) through recognition processes (R):

$$V_R = V_P \times f(S,R)$$

It is important to note here, that this expression is not intended as a formal quantitative model, but as a conceptual shorthand illustrating the theoretical relationship proposed by SVT. The equation does not imply that situations create value; rather, situational conditions and recognition processes amplify or constrain the extent to which potential value becomes recognised. The relationships depicted in Figure 1 should not be interpreted as a linear progression from capability to recognised value. Rather, SVT adopts a configurational view in which capability, situational conditions, and recognition processes interact recursively. Recognised value emerges from this interaction rather than from a predetermined sequence of stages. The framework is therefore intended as a representation of dynamic value recognition rather than a process model specifying a fixed causal pathway.

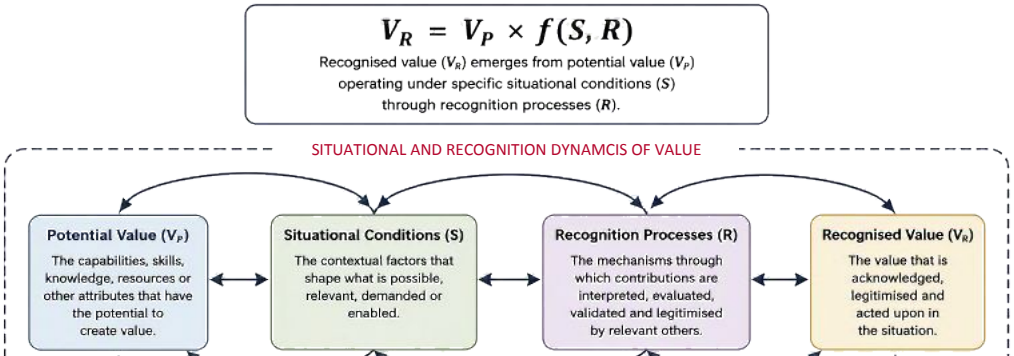

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Figure 1. Situational Value Theory as a Conceptual Model.

Heinich (Heinich, 2020) distinguishes value from valuation, arguing that valuation should be understood as a pragmatic social process through which value is attributed rather than assumed. Building on this distinction, Situational Value Theory argues that valuation alone does not explain why identical capabilities are differentially recognised across situations. SVT therefore distinguishes potential value, which exists as a latent property of capability, from recognised value, which emerges through valuation processes operating under particular situational conditions. In this way, SVT complements pragmatic theories of valuation by explaining the relationship between value prior to valuation and value following recognition.

Ontological and Epistemological Foundations of Situational Value Theory

Clarifying the ontological and epistemological foundations of Situational Value Theory is essential to situating the theory within broader debates in organisational and management

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research. Ontology concerns the nature of reality and what can be said to exist, while epistemology addresses how knowledge of that reality is generated and justified (Pretorius, 2024). These considerations are particularly important for conceptual work, as they shape how core constructs are defined and how relationships between them are understood. Debates surrounding value in organisational contexts reflect longstanding tensions between realist and interpretivist perspectives. Realist approaches tend to treat value as something that can be inferred from observable outcomes such as productivity, performance, or competitive advantage. Within current frameworks, skills, knowledge, and experience are typically conceptualised as productive assets that generate returns when effectively deployed (Crook et al., 2011; Ployhart & Moliterno, 2011). From this perspective, value is often assumed to follow from capability, becoming visible through its contribution to organisational outcomes.

In contrast, interpretivist perspectives emphasise that organisational realities, including judgements of value, are shaped through social processes, shared meanings, and contextual interpretation. Value, in this sense, is not simply evidenced through performance, but is constituted through evaluative practices that determine what is considered meaningful or legitimate within a given setting (Thompson et al., 2020; Whittle & Spicer, 2008). These perspectives highlight that recognition is not neutral, but shaped by the contexts in which actions are interpreted.

Situational Value Theory is positioned at the intersection of these theories. Ontologically, SVT adopts a relational account of value recognition rather than a relational account of value itself. The theory proposes that capabilities embody potential value as a latent capacity, while recognised value arises through the interaction between that capability, situational conditions, and recognition processes. Situations therefore do not create value but influence the extent to

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which potential value becomes recognised. This position acknowledges the existence of underlying capability (potential value) while recognising that its significance is contingent upon situational and recognition conditions (recognised value).

Epistemologically, SVT aligns with an interpretive approach, emphasising that value becomes knowable through processes of evaluation, interpretation, and sensemaking within organisational life. While organisations often rely on formal indicators such as performance metrics or outputs, these measures capture only a partial view of contribution. Many forms of organisational work, particularly those involving coordination, judgement, or relational activity, require interpretation to be understood as valuable. As such, knowledge of value is not derived solely from measurement, but from how actions are situated and made meaningful within specific contexts. SVT therefore distinguishes between what value is (ontology) and how value becomes known (epistemology). Potential value represents the ontological status of capability, whereas recognised value represents the epistemological outcome of situational recognition and valuation.

This positioning enables SVT to bridge a gap between outcome-based and interpretive accounts of value. Rather than assuming that capability directly translates into recognised contribution, the theory conceptualises value as contingent upon the conditions under which actions are interpreted and legitimised. In doing so, it provides a philosophical foundation for understanding why similar capabilities may be recognised differently across organisational settings, without reducing value to either purely objective or purely subjective terms.

Situational Value Theory

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Situational Value Theory (SVT) offers a way of understanding how the value of human capital is realised in organisational settings. It begins from an observation: skills, knowledge, and experience do not generate consistent or predictable value across contexts, even when they appear directly relevant to the work being performed. Rather than treating this unpredictability as a problem of application, SVT frames it as a theoretical issue concerning how value is constituted and recognised in practice.

SVT explains this variability by treating value as constituted through the interaction of interpretation, relational configuration, and narrative articulation. From this perspective, skills acquire value insofar as they are recognised as relevant through sensemaking processes, enabled or constrained by networks of people, artefacts, and institutional actors, and rendered intelligible through accounts that legitimise contribution. Value is therefore neither fully determined by individual capability nor reducible to subjective judgement, but contingent on the alignment between human action and the situational conditions in which it is enacted. SVT does not redefine what counts as human capital, nor does it seek to predict outcomes or prescribe measurement. Instead, it offers a conceptual framework for understanding why equivalent skills may produce divergent effects across contexts, and why valuable contributions may remain fragile, contested, or difficult to recognise in organisational life.

Situational Value Theory does not assume that value exists independently of recognition, nor that value is created arbitrarily through interaction. Instead, it proposes that skills carry potential value, which is only realised when the situation in which they occur allows that potential to be recognised, legitimised, and acted upon. This emphasis on situated interpretation aligns with recent work that repositions organisational phenomena as emerging through interactions between actors, artefacts, and contexts, rather than residing in abstract

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relationships alone (Berglund & Dimov, 2025). From this perspective, the value of action cannot be separated from the situations in which it is enacted, reinforcing the central premise of SVT that value is realised through the alignment between capability and situational conditions.

Theoretical Contribution and Philosophical Positioning

In developing Situational Value Theory (SVT), this paper follows Corley and Gioia's view that theoretical contribution is assessed primarily along two dimensions: *originality* and *utility*. Originality concerns the extent to which a theory advances understanding, either incrementally or in more novel ways, while utility refers to the degree to which a theory is scientifically and/or practically useful (Corley & Gioia, 2011). Rather than introducing a new construct for its own sake, SVT reconfigures how value is understood by shifting attention from possession to situational realisation. This move is conceptually original in that it reframes value as an emergent, situational outcome rather than a stable attribute of individuals or roles. In doing so, SVT integrates insights from sensemaking, actor–network theory, and narrative identity to address a dimension of human capital that has remained under-theorised: how value becomes visible and recognised in practice.

Recent literature has increasingly emphasised the importance of returning attention to the situated and experiential dimensions of organisational life. For example, research has shown that processes like learning and entrepreneurial development are lived as personal, first-hand experiences, rather than just things that can be observed from the outside (Dimov & Pistrui, 2022). In a similar way, the literature has called for more attention to people's inner experiences, pointing out that what organisations are and how they work are shaped by how

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individuals understand and act within them (Coghlan & Nzembayie, 2025). These perspectives reinforce the view that value cannot be fully understood as an objective property of actions or outcomes, but must be examined in relation to how it is experienced, interpreted, and made meaningful in context.

Situational Value Theory extends the ontological assumptions implicit within current theories by making explicit a theory of value itself. While theories such as HCT conceptualise skills, knowledge, and experience as productive capacity embodied in individuals, they largely leave unspecified where value resides and how it comes into being (Marginson, 2019). SVT builds on this foundation by conceptualising value not as an inherent attribute of human capital, but as a relational and situational phenomenon that emerges through the enactment of skills within particular configurations of actors, practices, and material arrangements; more aligned to Roos notion of a connectionist epistemology where "*the process of shaping an organisation depends not only on the stimuli entering the system but on the system itself*" (Roos, 2005). In doing so, SVT does not challenge the existence or importance of latent human capital, but reframes value as something that is constituted through situation and recognition rather than carried across contexts unchanged.

Epistemologically, this move reframes how value is understood and known. Whereas HCT has typically relied on positivist, outcome-based metrics to infer value, SVT adopts an interpretivist stance that treats value as something that becomes recognisable through processes of sensemaking, relational attribution, and narrative articulation. From this perspective, value is not discovered as an objective property of skills or roles, but is interpreted and legitimised within specific organisational contexts. SVT therefore complements current theories by extending its ontological treatment of value and reframing

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the epistemological basis on which value is understood, without rejecting the foundational assumptions on which current theories are built.

Situational Value in Practice: Illustrative Vignettes

To demonstrate the distinction between potential value and recognised value, we present two illustrative vignettes

Vignette 1: Teaching

Teaching is often presented as a clear example of professional value. Within schools, colleges, and universities, the contribution of teachers is institutionally recognised and supported. Classrooms, curricula, students and professional standards provide a shared understanding of what teaching is and how its value should be judged. In this setting, the relationship between capability and contribution appears relatively stable. This view of stability becomes less clear when attention shifts away from the classroom. Many of the skills associated with teaching, such as organisation, explanation, emotional judgement, coordination, and adaptation, are relevant in a wide range of settings. Yet when teachers move into roles outside formal education, the value of these capabilities is not always readily recognised. The professional identity of 'teacher' may no longer function as a reliable indicator of value, even when the work being done draws heavily on the same skills. If someone who is a teacher by profession is managing a project, the value they bring may stem less from formal project management training than from experience in planning, coordinating people, and guiding activity in the classroom. These capabilities become visible and valuable when the project situation enables them to be enacted. Although the underlying skills associated with teaching remain unchanged, their relation to the professional identity of

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'teacher' becomes less explicit as the situation shifts. From the perspective of SVT, the value of these skills is amplified differently as the configuration of actors and relationships within the network changes, rather than because the skills themselves have altered.

From a human capital perspective, this creates a dilemma. The underlying capability has not changed, yet its value appears to fluctuate. One response is to treat this as a problem of fit or transferability. Another is to assume that the teacher's skills are simply less relevant outside education. Situational Value Theory offers a different way of interpreting this variation, without claiming to resolve it. The teaching example suggests that value is not located solely in the individual, but is partly stabilised by the situation itself. Classrooms, curricula, students and professional standards do not merely provide a vehicle for teaching; they actively shape what teaching can be and how it is realised. When those situational supports are removed, value becomes more fragile. SVT draws attention to this fragility rather than treating it as an anomaly.

Vignette 2: CVs and resumes

A similar issue can be seen in the use of a Curriculum Vitae (CV) or resume during recruitment. CVs or resumes are a common way of representing human capital, listing qualifications, experience, and skills in a format that allows comparison across candidates. In a given recruitment context, it is often possible to identify which CV appears strongest for a particular role. This judgement is usually taken as a proxy for underlying value. However, this assessment is highly dependent on the situation. If the role changes, the ordering of candidates may also change. A CV that appears highly valuable for one vacancy may appear less so for another, even though the applicant's skills and experience remain the same. From

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a human capital perspective, the individual's value in a particular CV has not altered; what has changed is the context in which that value is interpreted.

This highlights an important distinction between capability and recognition. CVs do not contain value in themselves. Rather, they provide a means of making certain aspects of capability visible within a particular context. The value attributed to a CV reflects how well its contents align with the expectations and assumptions attached to a specific role. When those expectations shift, so too does the perceived value. Situational Value Theory does not suggest that CVs are misleading or that recruitment decisions are arbitrary. Instead, it points to the situational nature of valuation itself. The same human capital can appear more or less valuable depending on how situations are configured, what criteria are applied, and what forms of contribution are anticipated. SVT amplifies the value within the CV and makes that value relevant in context.

Taken together, the examples of teaching and CVs illustrate a common issue. Human capital appears stable, but value does not. Teaching magnifies value by embedding capability within a supportive situation. CVs expose how value is temporarily constructed through evaluative practices tied to specific roles. In both cases, value is not an inherent property of skills, but something that emerges, and can just as easily reduce, depending on situation. These examples do not demonstrate that SVT resolves the problem of value recognition. Rather, they show why the problem persists. By focusing on situation and recognition, SVT highlights why organisations may struggle to make full use of the capability they employ and why value remains difficult to pin down even in routine practices such as recruitment.

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Discussion

This paper has developed SVT to address a broader question in organisation theory: how does value become recognisable in specific situations? While economic and human capital perspectives have provided influential accounts of how skills, education, and competencies contribute to productivity and performance (Marginson, 2019), these traditions typically infer value from outcomes rather than examining how value becomes stabilised in practice. SVT complements these accounts by shifting attention from accumulation and return to realisation and recognition.

The illustrative examples of teaching and CVs demonstrate how the same underlying skills may generate markedly different forms of value depending on context. In both cases, the skills themselves remain constant, yet their perceived relevance and contribution shift as the situation changes. From the perspective of SVT, these shifts are not anomalies or misjudgements, but predictable consequences of how meaning, relational configuration, and narrative articulation interact within specific settings. Value, in this sense, is neither fixed nor arbitrary, but contingent on the alignment between skills and situational demands. By foregrounding situational conditions, SVT reframes the relationship between skills and outcomes. Rather than assuming a direct and linear link between human capital and performance, SVT highlights the interpretive processes through which skills become visible and legitimate. Sensemaking processes shape how actors understand what counts as valuable in a given context, actor–network structures enable or constrain the enactment of skills, and narrative practices allow individuals to articulate and justify their contributions (Maitlis & Christianson, 2014; McAdams & McLean, 2013; Sandberg & Tsoukas, 2020; Thompson et

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al., 2020; Weick et al., 2005). Together, these processes help explain why certain forms of human capital are amplified in particular situations, while others remain obscured.

This reframing has important implications for how underutilised or unrecognised human capital is understood. Traditional accounts may attribute such outcomes to skills mismatch, deficient signalling, or inadequate role design. SVT suggests instead that value may be present but unrealised; not because skills are lacking, but because situational conditions do not support their recognition. This perspective shifts analytical attention away from individual deficits and towards the relational and interpretive environments in which work is performed.

Importantly, SVT does not challenge the foundational assumptions of economic or human capital perspectives regarding investment, accumulation, or productivity. Rather, it extends these assumptions by offering a conceptual account of how returns on human capital are mediated through context and situation. By treating value as situationally recognised, SVT provides a framework for understanding variability in outcomes without assuming changes in underlying capabilities. In doing so, it offers a more nuanced explanation of why equivalent human capital may produce divergent effects across organisational settings. This situational framing opens new avenues for theorising evaluation, career progression, and organisational design in contexts where contribution is diffuse, collaborative, and difficult to observe.

Implications

Implications for Theory

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Situational Value Theory contributes to ongoing theoretical debates by extending current economic and human capital perspectives beyond questions of investment and accumulation to address the problem of value realisation. By conceptualising value as situationally emergent rather than intrinsically possessed, SVT offers a framework for explaining variability in outcomes without assuming differences in underlying capabilities. This reframing suggests that fluctuations in performance or productivity may reflect shifts in situational conditions rather than changes in skill levels.

SVT also contributes to the integration of interpretive and relational perspectives within the study of value. While sensemaking, actor–network theory, and narrative approaches have each examined aspects of meaning, interaction, and legitimation, SVT brings these theories together around a shared concern: how value becomes recognisable in practice. In doing so, it provides a coherent conceptual identity for analysing how skills become visible, credible, and consequential within specific contexts, opening opportunities for research that treats value as a dynamic process rather than a static attribute.

More broadly, SVT encourages a re-examination of how value is theorised across organisational studies. By foregrounding situational specificity, the theory challenges assumptions that skills and competencies carry uniform value across roles or contexts. This has implications for research that relies on decontextualised measures of human capital, highlighting the importance of attending to the conditions under which value is enacted and recognised.

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Implications for Organisations

From an organisational perspective, SVT draws attention to the possibility that valuable human capital may remain underutilised, not because it is absent, but because existing roles, evaluation practices, or organisational narratives fail to recognise it. Organisations often rely on formal job descriptions, competency frameworks, and performance metrics that privilege certain forms of contribution while marginalising others. SVT highlights how such practices may obscure situationally valuable skills that do not align neatly with predefined categories.

By focusing on situational conditions, SVT offers a way of understanding how value is constituted through everyday organisational structures rather than through individual capability alone. This perspective shifts attention from deficits in skill or motivation to the interpretive, relational, and narrative conditions that shape what is recognised as contribution. In doing so, it provides a lens for reflecting on how existing organisational structures stabilise or destabilise the visibility of value.

Importantly, SVT does not prescribe specific strategies for managers. Instead, it offers a conceptual basis for examining how value is assessed and legitimised in practice. By reframing productivity and contribution as situationally realised, SVT supports more nuanced interpretations of organisational performance, particularly in complex, knowledge-intensive, and interdisciplinary environments. SVT also has implications for talent identification, career development, and succession planning. Organisations frequently assume that recognised value provides an accurate reflection of underlying capability. However, SVT suggests that visibility and recognition may be influenced by situational conditions rather than capability alone. Managers may therefore benefit from creating opportunities for individuals to

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demonstrate capabilities across different contexts, roles, and projects. Similarly, performance management systems that rely exclusively on visible outputs may overlook valuable forms of contribution that remain difficult to observe directly. Viewing capability as value potential encourages organisations to consider whether apparently underperforming individuals are constrained by capability deficits or by situations that limit the recognition of their contribution.

The explanatory effectiveness of SVT is likely to be greatest in situations where the relationship between capability and performance is ambiguous, contributions are difficult to observe directly, and evaluative judgements play a significant role in determining organisational worth. Such conditions frequently characterise knowledge-intensive, professional, entrepreneurial, and collaborative forms of work. Under these circumstances, recognition processes become particularly important in shaping whether capability becomes visible and consequential. Conversely, SVT may offer less additional explanatory power in highly standardised settings where outputs are directly observable, performance criteria are clearly specified, and the relationship between capability and contribution is comparatively transparent.

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Limitations and Future Research

As a conceptual contribution, Situational Value Theory is subject to several limitations that warrant acknowledgement. First, SVT is not intended as a comprehensive theory of value in all organisational contexts. Its focus is specifically on the realisation of human capital

through situational conditions, and it does not seek to explain broader economic, institutional, or structural determinants of value. As such, the theory is best understood as complementary to, rather than substitutive of, existing approaches to human capital and organisational analysis.

Second, SVT is deliberately agnostic with respect to measurement. While this allows the theory to accommodate the interpretive and relational nature of value realisation, it also limits its immediate applicability within empirical traditions that prioritise quantification and comparison. Future research may explore how SVT can inform qualitative or mixed-methods approaches that examine value as a process rather than an outcome, while remaining attentive to the risks of reifying situational value into static indicators. Although SVT is presented as a conceptual framework, it remains open to empirical challenge. The theory would be weakened if evidence consistently demonstrated that equivalent capabilities generate equivalent recognised value irrespective of situational conditions or recognition processes. Similarly, the theory would be challenged if recognition processes exerted little influence on the translation of capability into organisational assessments of value. Future research can therefore contribute not only by supporting SVT's central propositions but also by identifying the conditions under which its explanatory claims do not hold.

Third, the illustrative vignettes presented in this paper are intended to clarify the logic of SVT rather than to demonstrate its empirical generalisability. Although the vignettes of teaching and CV evaluation highlight common organisational situations, they do not capture the full range of contexts in which situational value may emerge. Future studies could extend SVT to

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other professional domains, organisational forms, or cultural settings, examining how different configurations of actors, artefacts, and narratives shape the recognition of value.

Finally, SVT emphasises interpretation, recognition, and narrative articulation, yet these processes are unlikely to operate neutrally. Not all organisational actors possess equal capacity to shape evaluative judgements, influence sensemaking, or establish narratives that legitimise contribution. Consequently, recognised value may reflect not only underlying capability and situational alignment but also broader power relations, status hierarchies, institutional norms, and patterns of inclusion and exclusion. This raises important questions concerning the extent to which organisational recognition systems may reproduce occupational, gendered, racialised, or professional inequalities. Future research could therefore examine how recognition processes are contested, whose value becomes visible, whose remains obscured, and how organisational structures shape the uneven distribution of recognised value.

~~Finally, SVT emphasises the role of interpretation and narrative in value realisation, which may understate the influence of power, hierarchy, and institutional constraints. While situational conditions are central to the theory, not all actors have equal capacity to shape sensemaking processes or to articulate narratives that legitimate their contributions. Future research could therefore examine how situational value is unevenly distributed and contested, and how organisational structures enable or constrain the realisation of human capital.~~

Conclusion

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This paper has addressed a central limitation in existing approaches to human capital by examining how value becomes recognised in organisational contexts. While established theories have provided robust accounts of how skills and capabilities are developed and deployed, they offer less insight into the processes through which value is interpreted, legitimised, and made visible in practice. By focusing on this gap, Situational Value Theory (SVT) contributes a conceptual framework that foregrounds the role of situational conditions in shaping the recognition of human action.

The key contribution of SVT lies in repositioning value as contingent upon the interaction between capability and context, rather than as a stable attribute that transfers consistently across settings. This perspective provides a means of explaining persistent variability in how contributions are evaluated, particularly in environments where work is collaborative, ambiguous, or difficult to measure through formal metrics. In doing so, the theory shifts analytical attention away from individual deficits and towards the relational and interpretive conditions that shape what is recognised as valuable.

Importantly, this reframing does not seek to replace existing theories of human capital, but to extend them by offering a more nuanced account of how value is recognised in practice. By integrating insights from interpretive and relational perspectives, SVT highlights the importance of examining how organisational contexts enable or constrain the visibility of contribution. This opens up new avenues for both theoretical development and empirical investigation, particularly in understanding patterns of under-recognition and the uneven distribution of value across roles and settings.

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Ultimately, SVT provides a foundation for rethinking how value is understood within organisational life. By emphasising situational realisation, the theory invites greater attention to the conditions under which contributions are recognised, and to the implications this has for how organisations evaluate, utilise, and develop human capability.

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