World Journal of Social Sciences
Vol. 5. No. 1. January 2015 Issue. Pp. 93 – 110

The Role of HRM in Leadership Development, Talent Retention, Knowledge Management and Employee Engagement

Andries du Plessis* and Sukesh Sukumaran**

The purpose of this paper is to examine how the principles of leadership development, talent retention, knowledge management and employee engagement are determined to enhance survival during recovery after a recession within organisations. This paper critically reviews the literature pertaining to trends in leadership development and talent retention, with integration to knowledge management. Pragmatic insights into how organisations can enhance knowledge management through strategic and tactical implementation are offered. The significance of this paper is that key areas are identified that organisations need to implement to enhance knowledge management, people advantage, the integration of concepts with respect to employee engagement, involvement, challenges and opportunities for organisations in the recovery stage of the recession. Practice based opportunities for organisations are discussed to enhance knowledge management by focussing on human and social capital; furthermore, an integration of leadership development initiatives across three countries, South Africa, Australia and New Zealand. Some recommendations are for HRM to take the lead in developing leaders.

Field of Research: Management / Leadership

1. Introduction

Grim reports came to light about financial instability in the US residential mortgage markets in the middle of 2007. From then on it went from bad to worse very fast. Most organisations were totally unprepared for the extent of the repercussions from this event. Globally stock markets have fallen, large financial markets have collapsed and many governments have had to bail out their financial institutions and large organisations. The global financial crisis, and the subsequent worldwide recession, has had far reaching impact on people and businesses specifically on employees and involved human resource management (HRM). The economic uncertainty and volatility has created a real crisis in confidence in organisations, the likes of which haven't been seen since the Great Depression. The significance of this paper is a literary exploration of the role that HRM in organisations could play in the leadership development and talent retention to help businesses recover during and after the recession.

The focus is on preparing the workforce for growth opportunities as the world economies emerge from a Global Financial Recession, (GFR) Many leaders are convinced that the recession is actually something of the past (Key, 2010).

*Dr Andries J du Plessis, Senior Lecturer, Unitec, Auckland, New Zealand, aduplessis@unitec.ac.nz
**Mr Sukesh Sukumaran, HoD, Management and Marketing, Unitec, Auckland, New Zealand, Email: ssukumaran@unitec.ac.nz

Companies need to retain their employees and expect high performance from their human capital. With most economies at a low point, organisations are looking for effective ways to innovate and reinvent themselves. These are timely and important issues as New Zealand struggles to recover from this unprecedented event. For employers it is not so easy to accept because most of them are still struggling to get themselves out of debt.

In this paper a comprehensive summary of literature review is discussed at first. The discussion is in the area of leadership development, employee engagement, talent retention and knowledge management. In order to evaluate academic claims and findings, some definitions are required to clearly establish the areas under investigation. These topics are reviewed to determine any common themes or critical differences. Any interrelationships between these areas are also considered and discussed. As the literature base is immense, a broad management perspective is taken, rather than a technical perspective. Academic literature in these areas is reviewed. After the summary of the comprehensive literature the authors are discussing ways in which HR can create sustainable competitive advantage. Then highlighting key challenges and opportunities follow. This enables the investigation of some implications for today's human resource (HR) professionals. Based on recurring themes, the last part of the paper includes some conclusions and recommendations as appropriate.

2. Literature Review

2.1 Leadership Development

There have been some positive signs that the economy is starting to recover. Yet key questions exist. Are organisations equipped to take advantage of this? Just who will lead us out of this recession, and how do we best handle leadership development post-recession? Have our expectations of leaders changed? What have been the trends in leadership development over the past few years? New Zealand's Prime Minister the Rt Hon John Key is of the opinion that leading a nation through a global economic recession was tough (Key, 2010). New Zealanders needed strong economic leadership and a government that was prepared to take strong and decisive action. He said that leadership is about many things including integrity, hard work, believing in yourself, perseverance, and being part of a team with a high degree of trust.

Robbie Macpherson, Head of Social Leadership Australia, explained what the three attributes are that he would consider being essential to a leader:

- Resilience: the work of leadership is really tough and therefore you need to be really resilient – intellectually, spiritually, emotionally and physically – to survive the challenge.
- Secondly, the ability to work across difference. A leader needs a capacity to collaborate and to work across a whole range of very different stakeholders.
- Lastly the ability to learn, develop and to help others learn. A leader has got to be a teacher and create an environment which allows others to learn and grow. A leader can't come in and impose a plan from the top. The solution has to be created

collectively by all the different stakeholders (Social Leadership, 2010 as cited in Nel et al, 2012).

Australia has a flawed leadership paradigm and is regarded as one of the greatest barriers to new leaders emerging in Australia. They are stuck in an outdated notion that leadership is about hierarchy and power – very much the 'great man' theory of leadership – which is always going to be a highly elitist and limited view. The complexity of the challenges they now face requires a new way of thinking about leadership. They regard leadership as mobilising people to face reality – both the tough challenges and the new opportunities (Macpherson, 2010 as cited in Nel et al, 2012).

How do developing countries prepare, develop, implement and engage their employees to develop leaders who can retain their employees and sustain their competitive advantage? What about countries such as South Africa, India, and other developing countries if this is the view of a country (Australia) with a strong economy, very low unemployment figures, very low crime rate, economic growth and a stable government?

The concept 'leadership' could be explained as an influence relationship among leaders and followers who intend real changes and outcomes and reflect their shared purposes (Daft 2011). Another view is from Bergh and Theron (2009) that leadership is a social process in which group processes and behaviours (such as communication and decision-making) play a role. Therefore leadership is an influence relationship among leaders and followers who intend real changes that reflect their mutual purpose. Balzac (as cited in Minter, 2010) suggests that managers get rid of preconceived ideas of what leaders look like, and instead put employees in confusing or ambiguous situations and watch what happens. He advised to look for the people who build connections, who bring the team together, who focus everybody on trying out different ideas.

Look for the people who essentially provide direction without having to intimidate to get it. DDI conducts an annual survey, the Global Leadership Forecast, which provides insights on leadership practices and trends. The 2008/09 survey had more than 14,000 human resource professionals and leaders participate across 76 countries, and the findings are thought provoking. While 75 percent of those surveyed said that improving or leveraging talent was their top priority, less than half the leaders in the survey said they were satisfied with development opportunities they were provided with. Even more alarming is that successive DDI surveys have shown that confidence in leaders has been steadily eroded over the past decade (Stark Leadership Insights, 2010). Minter (2010) agrees that companies need to be sure they are assessing employees not just for the present, but for the environment in which they will be operating in the future. General Mills' Director of Organisational Development, Beth Gunderson, stresses the importance of viewing leadership development as a long-term investment.

The innovation pipeline needs to be kept full so we need leaders who are going to take us down that path. So, we need to continue to invest in them. The shifting competencies of leadership are illustrated further in the differences between 20th and 21st century leaders. Organisations need to develop leaders to lead now in a more sustainable, authentic way than many of their predecessors have done. Tomorrow's leaders need to be values-centred

leaders focused on building sustainable organisations that serve society, in contrast to the "command-and-control" style of the
20th century.

Tomorrow's leaders need entrepreneurial skills to grow businesses and create jobs, collaboration skills to build relationships across organisation lines to solve society's most difficult problems in a global world. These tough times may arguably be the time to change the impression in many employees' minds that the single imperative of their coming to work was to make shareholders richer (Carter, 2009). From the research several modern leaders (from leading companies such as IBM, Ford, Xerox and Unilever) are purported to understand that developing capable, authentic leaders throughout their organisations is critical to their success.

It is challenging for most organisations to make leadership development a priority in the aftermath of the global economic meltdown. Leaders face an ever growing list of challenges; from cost cutting and customer demands to strategic planning and successful innovation. Many executives across a wide range of industries began to downgrade their concern about the pipeline of top talent in their organisations, as the supply of candidates was abundant in the early to mid-stages of the recession.

According to recent research from Personnel Decisions International, an HR consultancy, a staggering 83 percent of corporate leaders ranked pressure to cut costs as their toughest business challenge yet only five percent of survey respondents believed loss of leaders in key areas or insufficient talent to be a concern (Overby, 2009). Carter (2009) contends that challenging times will require leadership that provides clarity as to why and where people have got to change; that provides a future that engages motivation and develops the confidence that people can, within reasonable limits, shape and influence what is happening to them. He suggests that audacious leadership is required in such ambiguous times.

Giving people the power and authority to make choices is psychologically empowering and has the advantage of flexibility and quick-decision making. Training, education and development are concepts often thought of as synonymous but the differences must be understood to effectively manage training in an organisation (Erasmus *et al.*, 2007). However, in practice, the concepts cannot be definitively compartmentalised, as each may have elements of the others. It is suggested that an integrated approach to achieving an organisation's training and development needs will improve performance. The next few paragraphs will explore the three definitions and roles of each of the three concepts:

- Du Plessis and Frederick, (2010) and Nel et al (2012) describe training as the specific learning activities undertaken to improve an employee's knowledge, skills and abilities in order for them to better perform their duties. Whenever a new behaviour is needed in the workplace, a training programme is required to teach the employee the required new behaviour. Training is about giving employees the skills and knowledge to undertake their responsibilities and is related to their workplace. Training can be specific to their role, like operating a forklift, or generalised, like anti-harassment policies. Education goes beyond the restrictions of the workplace.

- In general terms, education is designed to prepare an individual for life while training prepares an individual to perform specific tasks. Education improves overall competence of the employee beyond the job they are currently performing (Du Plessis and Frederick, 2010; Dugan, 2003). The range of competencies gained from education ranges from basic literacy, numeracy and interpersonal skills to advanced management programmes. Education programmes are generally outsourced to schools, colleges, universities and specialist private companies (Erasmus *et al.*, 2007) while training is usually an internal function. Up-skilling employees through education and training programs lead to employee development.

- Development is designed to help develop and fulfil an employee's potential within an organisation (Macky, 2008). This may take many forms including training, on-the-job training, job rotation, mentoring and career counselling. Employee development is a necessary component of improving quality, retaining key employees and keeping up-to-date with social change, global competition and technological advances (Nel et al 2012). Many companies use development as a means for strategic succession planning where leaders are identified early in their career and developed for higher leadership positions (Macky, 2008).

Regardless of what label is given, the main thrust behind training, education or development is learning.

2.2 Talent Retention

HR managers and line managers need to work together during times of major organisational change to identify people whose talent retention is critical. Yet too often companies simply round up the usual suspects that are senior executives and high-potential employees in roles that are critical for business success. Few look in less obvious places for more average performers whose skills or social networks may be just as critical both in daily operations during the change effort itself as well as in delivering against its longer-term business objectives.

Even if the employees' performance and career potential are unexceptional, their organisational knowledge, direct relationships, or technical expertise can make their retention critical. During disruptive periods of organisational change, too many companies approach the retention of key employees by throwing financial incentives at star performers. Researchers warn that this is not money well spent as many of the recipients would have stayed put anyway; others have concerns that money alone can't address. Additionally, by focusing exclusively on "high potentials", companies often overlook those "normal" performers who are nonetheless essential for the success of any change effort (Du Plessis, Frederick, Maritz, 2013).

Cosack, Guthridge, and Lawson (2010) advise that companies should tailor retention approaches to the motivations and mind-sets of specific employees (as well as to the express nature of the changes involved) because one-size-fits-all retention packages are usually unsuccessful in persuading a diverse group of key employees to stay. Ogden (2010) outlined three key reasons to invest in developing talent:

- Enabling those organisations that are resource constrained or have had to reduce headcount in the face of increasing demand to do-more-with less,
- Preventing the talent drain when economic conditions improve, and
- Investing in leadership to avoid the high costs of staff turnover as the number one reason that employees give for leaving an organisation is their dissatisfaction with their immediate superior.

In organisations that cut back employee development programs, star performers may simply wait until the economy recovers and employment prospects improve. At that time, the most effective staff is likely to be attracted to organisations that demonstrate greater appreciation for their skills and apply more resources toward their professional development. Often staff with a high level of technical ability may be promoted to management positions without adequate training to fulfil the demands of their new position. Getting employees fully engaged and delivering a high level of discretionary effort when headcount has been reduced or resources constrained is critical. Getting buy-in may require a visible commitment to redesigning work processes and developing staff skills for a leaner organisation (Du Plessis, Frederick, Maritz, 2013).

Motorola is a company who is focussing on talent retention. They believe that it receives $33 for every $1 invested in its employee's education and training. IBM is also a company focusing on achieving their talent retention goals. They developed a custom-base database that gave managers an end-to-end view of the company's human capital and allowed identification of skill gaps across their global workforce of over 333,000 full-time employees (Baker, 2006, as cited in Kennedy and Daim, 2010).

Research revealed that the most effective strategies to retain capable people in South Africa and Singapore were centred on creating a stimulating and challenging work environment, and participative management styles. The most effective strategies to retain capable people in China include: employee orientation and integration; career planning and development; employee relations and motivation; performance management; training and development; transfer and promotions; compensation and benefit programs (Kaliprasad, 2006, as cited in Kennedy and Daim, 2010). Capable people are in short supply globally, which accounts for fierce competition between organisations to attract and retain this skilled talent.

2.3 HRM's Role to Prepare, Develop, and to be Cautious in Implementing Strategies

Several studies that compared South Africa's HRM's roles and activities with, among others New Zealand, (Paine, 2008; Du Plessis, 2010; Du Plessis & Huntley, 2009; Nel & Du Plessis, 2007) found that HR's role is to prepare, to develop and to be cautious while implementing strategies for organisations to develop leaders' capabilities and to retain talented employees. HR should be on the forefront in identifying talent and act pro-actively to sustain the competitive advantage of their organisation.

It was explained above how crucial it is to retain talented employees and further in this paper the importance of human and social capital is discussed. The first casualty of a downturn in the economy is people: the employees on whom, the fortunes of a company rest, according to Nel et al. (2012). A cautionary message by HR practitioners is that when the good times return, employees remember how they were treated. This presents real challenges. HR managers might find it tough to inspire employee accountability, engagement, and resiliency at a time when traditional motivational “carrots,” such as pay raises, are off the table. They will need to align employee efforts with changing strategic initiatives, but could find that they lack effective ways to make that essential link.

HR’s role in development and training prepares companies for the future, as an investment in long-term sustainable growth. Organisations could fall behind in retaining and recruiting top staff in a marketplace where turnover is high and qualified talent is scarce. Organisational (HR) responses can either aid or hinder employee engagement. Measures such as laying off temporary employees, eliminating overtime pay, shortening work hours, and relying on variable pay arrangements have been used effectively with a positive impact on employee commitment. Hiring high-performers of competitors has been effective in strengthening employee commitment (Strack, et al., 2009). In contrast, cutting back on training has a relatively negative impact on employee commitment.

2.4 HRM’s role in Knowledge Management

The greater demand for work/life balance, the growth in the number of employees with caring responsibilities for either aging parents, or children, combined with younger – and smaller – generations entering their prime working years will create real challenges. The current workforce is becoming more emergent and less traditional, which sees a dramatic shift in perspective. An emergent workforce is driven by opportunity, whereas a traditional workforce believes that tenure dictates growth (Du Plessis, Frederick, Maritz, 2013). Increased global competitiveness will require an educated and skilled workforce, and the reduction in the talent pool will mean that skill shortages are likely to be even more acute. Employees with more knowledge will be head-hunted and HRM’s role would be to look after their knowledgeable employees.

HRM and managers will need to develop novel approaches to motivation to retain such an emergent knowledgeable workforce. Given the current state of the economy, it may seem that hiring and retention are simply not as important as they were thought to be several years ago. Many companies are struggling with how to do more with less resources and Styhre (2008) claims that one of the most significant domains where substantial effectiveness increases are to be gained is knowledge sharing. To manage this knowledgeable workforce is not always easy. But organisations that want to be sustainable and successful over the long term need to still consider how to attract and grow high performing and committed employees. HRM and managers are challenged today to carry out broader and more proactive roles.

2.5 HRM’s Role on Retention of Human Capital and Social Capital

A critical element for sustainability is developing capabilities that aren’t easily replicated by competitors (Sharkie, 2003). Organisational success depends on aligning business strategy with a human capital strategy that puts the right talent in the right roles, performing in the right ways. Because an organisation uses its resources, capabilities and competencies to achieve competitive advantage, doesn’t guarantee that this competitive advantage will be sustainable. Lajtha (2010) contends that key characteristics of a successful organisation include employees who are given a degree of autonomy to make decisions, yet also know how their responsibilities fit into the goals of the business; their leaders are strong and collaborative; their structures encourage work across functions and units and multiply the value of what any one group is doing; they tend to perform better; they are more agile and responsive to market conditions; they consider multiple scenarios and outcomes to know what workforce and organisation are needed to execute the business plan.

An effective human capital strategy ensures that the right leaders are in place to source, develop and direct the right workforce talent, supported by the right culture, organisation- and operating model to achieve competitive differentiation During a recession, traditional planning is inadequate to meet business needs. Leaders need talent and leadership strategies that help them achieve differentiation. Leaders need to develop resources and competencies to meet the criteria to retain on the long term sustainable human capital and social capital (Du Plessis, 2010; Barney, 1998; Golden and Ma, 2003). The firm should invest in maintaining its structures, systems and relationships with its employees. Changes may jeopardise the feeling of employment security, risk the employee's trust and loyalty and lead to the loss of rare human resource characteristics.

The literature provides further support for the view that the most valuable strategic resources are socially constructed (Hall 1992; Schoemaker and Jonker, 2005 as cited in Weisingera and Black, 2006). Over the years various forms of intangible and tacit resources, which are socially constructed, have been identified as being valuable (Golden and Ma, 2003) ranging from organisational culture and organisational knowledge (Coleman, 2006) to social networks. Weisingera and Black (2006) assert that collective action and strategic goals can be achieved through social capital. Schuller (2007) considers human capital to be essentially an individual asset, defined in terms of skills, competencies and qualifications.

The literature appears to support this view that human capital is individual yet less tangible than physical capital. "Human capital is the totality of personal cognitive or embodied knowledge, learned or entrenched through practice over time" (Styhre, 2008, p 945). Human capital is created by "changes in persons that bring about skills and capabilities that make them able to act in new ways" (Coleman, 1998 as cited in Styhre, 2008, p 942 and Weisingera and Black, 2006, p 147). Similar to human capital, social capital is less tangible than physical capital. Unlike human capital that is confined to the individual, social capital "exists in the relations among persons" (Coleman, 1998 as cited in Styhre, 2008, p 942).

There is no shortage of literature on the subject matter of social capital, and several definitions exist. What these definitions of social capital share in common is "the key idea that the networks of relationships in which people are embedded act as an important resource and thus a source of competitive advantage to the firm" (Bresnen, Edelman, Newell, Scarbrough, and Swan, 2005, p 236 as cited in Styhre, 2008, p 943). Social capital is a complex social event that can be seen as a resource developed through a history of interactions which differs from the interactions themselves; is distinctive to the actors involved and cannot easily be replicated, therefore representing an important source of sustainable competitive advantage (Ramsay, 2001 as cited in Bernardes, 2010). Social capital is defined as the set of relationships between people or groups of people than can be used to develop, access and use resources.

Lin, Cook and Burt (2001 as cited in Pirolo and Presutti, 2010) suggest that these embedded resources are accessed and/or mobilised in purposive actions. Social capital is productive as it “enables the achievement of certain ends that in its absence would not be possible” (Coleman, 1998 as cited in Styhre, 2008, p 942). Adler (2002) concludes that there are three components which must be present within social networks in order for social capital to exist: opportunity, motivation and ability. Social capital plays a pivotal role in mediating human capital and organisational capital.

Without investing in social capital, the stocks of human and organisational capital won’t be fully exploited or used. “Social capital is a term denoting a number of shared and collective emotional, cognitive, and communicative skills and resources that helps to circulate and develop the existing know-how of a firm” (Styhre, 2008, p 949). It includes the collective capacity to tell stories as well as other non-verbal competencies and joint accomplishments such as trust (Czarniawska, 2004, as cited in Styhre, 2008). Socialisation mechanisms can help reduce ambiguity and can allow for clearer and more open communication (Cousins, Lawson and Squire, 2008, as cited in Bernardes, 2010).

These relationships between individuals enable the mutual sharing of personal knowledge. Social capital also regulates the relationship between the personal knowledge of the individual co-workers and the formalised knowledge of the organisation’s procedures and systems (Styhre, 2008). Goebel et al., (2003, as cited in Bernardes, 2010) suggest that when organisational members perceive themselves as disengaged in terms of their strategic contribution to the value adding process, their job performance is more likely to be diminished. Resource embeddedness is a new dimension of social capital.

Structural embeddedness plays a larger role in explaining execution-oriented tasks whereas relational embeddedness plays a larger role in explaining innovation-oriented performance (Moran, 2005 as cited in Bernardes, 2010). Granovetter first set forth the distinction and importance of both concrete personal relations (relational embeddedness) and the structure of the collective arrangement of those relations (structural embeddedness) (Granovetter, 1985 as cited in Bernardes, 2010).

There are two types of social capital – bonding and bridging – bonding social capital is good for mobilising solidarity, while bridging social capital is good for linkage to external assets and information diffusion (Weisingera and Black, 2006). Social capital underlines the collaborative and collective nature of social existence. It is a result of the shared and mutual trust that individuals develop in their joint collaborations (Styhre, 2008). Coleman (2006) suggests that social capital influences the creation of human capital in subsequent generations. Social capital affects the innovativeness of a firm as it is tied to flows of communication, information and knowledge that take place across personal and organisational networks (Burt, 1992, 1997, as cited in Casanueva and Gallego, 2010).

HR managers and organisations that neglect the social side of individual skills, and don’t create synergies between their human and social capital will be unable to maximise performance. They are unlikely to realise the potential of their employees to enhance organisational innovative capabilities, (Subramanian and Youndt, 2005, as cited in Styhre, 2008). Shared values, such as the rules of the game and standards in the network, can also improve innovativeness. A shared vision facilitates freer and more fluid communication and sharing of other non-informational resources, which reduces fears of opportunistic behaviour (Tsai and Ghoshal 1998 as cited in Casanueva and Gallego, 2010). Cohen (2007) advises HR managers that the essential elements of social capital creation are to:

- Provide time and space to meet and work closely together in order to develop mutual understanding and trust;
- Build trust by demonstrating trustworthiness and delegating responsibilities;
- Ensure equality in terms of opportunities and rewards and to foster commitment and cooperation;
- Examine existing social networks to see where valuable relationships can be preserved and strengthened.

2.6 Employee Engagement (Involvement)

Du Plessis, Nel, San Diego (2013) explain that employee engagement is largely about managing discretionary effort; when employees have choices, they will act in a way that enhances their organisation's interests. An engaged employee is a person who is fully involved in, and enthusiastic about, their work. Du Plessis (2010) agrees that engaged employees feel passion about their work, provide drive and innovation, and feel that their contribution helps in moving the organisation forward. HR managers and organisations seem to be increasingly recognising the importance of employee engagement with a growing number of large and medium sized organisations now measuring employee engagement.

Shell, a global group of energy and petrochemicals companies with around 101,000 employees in more than 90 countries and territories, is one such organisation that takes this seriously. Shell encourages employee participation and engagement, and views employees as core to its success (Young and Thyil, 2009). Loehr (2005) contends that full employee engagement is a win for everyone. There is now considerable evidence from many sources that high employee engagement generates higher employee productivity, business unit performance and profit; along with lower shrinkage, accident rates and employee turnover. JRA's research shows 'engaged' employees generate a return on assets 95% higher than their less-engaged workforce counterparts, generate sales per employee 68% higher, and are 29% more likely to stay with their current organisation.

Top management and executives must be concerned about the level of engagement in the workplace. According to JRA's "Best Places to Work" Survey in 2009:

- Only thirty-five percent of employees are actively engaged in their jobs. These employees work with passion and feel a profound connection to their company. People that are actively engaged help move the organisation forward.

- Fifty-seven percent of employees are not engaged. These employees have essentially “checked out,” sleepwalking through their workday and putting time, but not passion, into their work.
- Eight percent of employees are actively disengaged. These employees are busy acting out their unhappiness, undermining what their engaged co-workers are trying to accomplish

Maritz & Du Plessis (2011) are of the opinion that confidence in leadership became more important during the recession, and a fun and enjoyable work environment became less important as a key driver of employee engagement. More intrinsic drivers such as understanding how one contributes to the success of the organisation, and feeling valued also become more important during the recession (JRA, 2010). The ratio of engaged to disengaged workers is what drives the financial outcomes and impacts profitable growth. Disengaged employees create disengaged customers. The reasons people typically give for being disengaged at work involve negative work conditions, insensitive bosses, divisive office politics, and lack of constructive performance feedback. Removing toxic work conditions simply gets employees into neutral according to Maritz & Du Plessis (2011).

Moving from neutral to high engagement requires something different. Loehr (2005) stresses that becoming fully engaged at work, is the pathway for igniting talent and skill and for making a real difference. When you are fully engaged, you are less likely to be terminated or laid off and are more attractive in the job market due to your positive energy, dedication, and resiliency.

The importance of employee engagement cannot be underestimated during a recession; whether there is a recession or not, sustainable workplaces are the ones that will survive where people turn up for work because they want to, that go the extra mile to help you succeed, and are constantly looking for better ways of doing things (Maritz & Du Plessis, 2011). Strack, et al., (2009) contend that employees respond best to the challenges of a recession when leaders are honest, direct and empathetic about the difficulties, yet can still create excitement about the opportunities. A focus on motivation and accountabilities can foster and encourage an environment of innovation that will support the company’s goals.

Nel et al (2012) suggest that three leadership styles exhibit the strongest correlation with employee engagement. These styles are:

- Achievement oriented (with a strong focus on excellence and high quality work),
- Development oriented (with emphasis on coaching, mentoring and training) and
- Relationship oriented (with emphasis on team affiliation, relationship building and effective communication).

HRM should bear responsibility for measuring the elements of engagement and retention. Employee engagement and employee retention are crucial to business success. After all, HRM is all about making things happen. A good HR manager is a student of cause and effect; it is not good enough to be aware of what is happening around you; you have to know and understand why it is happening. Then you have to roll up your sleeves, and get in the trenches and do something about it – develop strategies, according to Kennedy and Daim, (2010).

The last decade has seen a growing emphasis on the notion of fun at work as a way to increase employee engagement. While budget cuts have been a fact of life in recessionary times, ideas of fun, play and laughter have been recommended as a means to involve and empower employees. It has increasingly been recognised that play and laughter can create a sense of involvement, as well as unleash creativity and raise morale and so, management often ignore, tolerate and even actively encourage playful practices (Du Plessis, Paine & Botha, 2012; Nel & du Plessis, 2007).

In stressful situations, it is challenging to maintain connectedness and caring, and this compromises our ability to remain engaged. It is impossible to remain fully engaged continuously. Several situations will interfere with our ability to be engaged. The HR manager and the leader (manager) need to guide high performance and recovery times to make sure people can sustain a level of engagement that is fulfilling. Energy comes from knowing that you are significant, that your work is important, and that you can work in an environment that fosters and supports your passions. The HR manager and leader who are engaged and passionate about the work will communicate this to staff who will then feel the contagious level of excitement according to Du Plessis, Nel, San Diego (2013).

2.7 Challenges and Opportunities in the Recovery Stage of the Recession

What has changed though, are the focus areas, and the increased complexity of the employees as well as the business environment. The way forward for HRM and HR is smart employment and business decision making. With a renewed focus on the importance of sustainable relationships, audacious decision making and effective communication, businesses should be on the right track. HRM has the opportunity to engage employees and get them committed to the organisation so that they can aid business recovery.

Another key challenge for HRM is to get employees to high levels of social capital and a collaborative approach that will encourage differentiation and aid business recovery. HR managers and organisations have the opportunity to allow employee input into decisions, share information, and to treat employees with respect that will definitely enhance commitment. These organisations strengthen shared perceptions of congruence between employee and organisational values, integrate employees into the life of the organisation, and increase employees' identification with the organisation (Arthur 1994; Long 1980; Meyer and Herscovitch 2001 as cited in Wright and Kehoe, 2008).

Empowering HR practices involve teamwork and social interactions and this creates a sense of community, strengthens the forces of social cohesion among group members and in turn, the commitment to the organisation (Morrison 2001; Osterman 1995 as cited in Wright and Kehoe, 2008). In organisations with high levels of social capital, the co-workers interrelate; paying attention to others' needs and are willing to share their insights and know-how with one another. In this way knowledge is collectively mobilised and used in everyday practice. Yet, relying exclusively on social capital is risky because it takes time and effort to maintain social relations (Bresnen, Edelman, Newell, Scarborough and Swan, 2005 as cited in Bernardes, 2010). In addition, social capital may be eroded if new competencies are not brought into the system and this is a major challenge for HRM in the future.

3. Problem Statement

Knowledge management is widely recognised as a strategic resource and a source of competitive advantage, and knowledge is now regarded as the most significant organisational asset (Whelan & Carcary, 2011). It is against this important overview that we integrate leadership development, talent retention and employee engagement.

Leadership development, talent retention and employee engagement could assist businesses to recover from the recession. The problem is that some employers do not use and develop the talents of their employees to provide better “equipped” employees with knowledge and skills to add value in organisations. A further problem for some managers is that they do not utilise the human capital to develop new business neither do they develop, use or implement suggestions of employees.

4. Aim of the Study

The objective of this study is to ascertain human resources management’s (HRM’s) role in whether the recession’s influence in employment is becoming something of the past, leadership development and what talent retention could really contribute in an organisation on the road to recovery.

Key questions considered and addressed are:

- How can HRM and HR assist in developing leaders for the post-recession era
- Is involving employees in decision making the answer to talent retention? What is HRM’s role?
- People advantage and HRM’s role in this new era of business recovery?
- HRM’s role in sustainable competitive advantage, human capital and social capital
- Employee engagement in retention and talent management

5. Analysis

5.1 Findings

Driving performance has become the key focus for many. This has definitely been a time of business as unusual, and we are looking for more than ordinary actions to get us through such challenging times. There is increasing pressure to deliver more in the same time frames, to do more with fewer resources, to generate more return on investment, to sift through increasing volumes of data and information. It also seems likely that competition for talent will continue to increase in the face of changing demographics such as an aging workforce. During uncertainty such as the recession, organisations try to get their costs under control rapidly and many organisations today are still making tough decisions about how to allocate their time and money.

There is no shortage of pressing needs—capital construction, technology upgrades, and facility expansion, yet fewer resources are available to address those needs. Faced with a harsh economy and the need to conserve cash, many companies slashed severely or even eliminated their leadership training programmes in the past couple of years. Plenty of other companies have no real programme for identifying and developing talent. But growing evidence shows these companies are putting themselves at a competitive disadvantage as leadership development, knowledge management, employee engagement and talent retention have been linked to business recovery. In addition, confidence in leadership as well as an organisation's commitment to training and development, have been linked to higher levels of employee engagement.

Corporate scandals have changed the expectations of our leaders which have left us less accepting of blindly following leaders. In the changing environment, leadership learning seems to be most effective when it occurs in the context of specific organisation situations and specific organisation demands. Exposing managers to senior leaders has also been highlighted as necessary for effective leadership development. Leadership succession and development have been highlighted as a priority for most organisations, yet many organisations are failing to move beyond good intentions and translate into action. This is having an impact on employee engagement in some organisations. Employee engagement has a lot of similarities to organisational commitment, but unlike organisational commitment, levels of engagement seem to fluctuate more often within the employee due to a range of factors in relation to organisational culture, shared vision and values, a focus on performance and development. The only limitation to this study is that it could not cover all the literature but the researchers endeavoured to cover the relevant literature to give the reader good insight in addressing the problem about some employers who do not use and develop the talents of their employees to provide better "equipped" employees with knowledge and skills to add value in organisations or to utilise the human capital to develop new business neither do they develop, use or implement suggestions of employees.

6. Recommendations

Organisations should take the following recommendations serious to be successful in surviving in future:

- Make leadership development a priority in the aftermath of the global economic meltdown
- Cost cutting and customer demands
- Strategic planning and successful innovation
- By empowering employees in leadership roles has the advantage of flexibility and quick-decision making
- Employers should ensure that their employees (leaders) have the skills and knowledge to undertake their responsibilities to lead successfully
- Employers need to develop resources and competencies to meet the criteria to retain on the long term sustainable human capital and social capital
- Leaders need to retain the talent in organisations
- Employees should be fully engaged by the leader's positive energy, dedication, and resilience in the organisation.

7. Conclusion

The literature seems clear, that both organisational commitment and employee engagement are highly correlated to business performance. A focus on these areas would be a key investment for organisations wanting to take advantage of the business recovery. Sustainable competitive advantage will be gained from effectively leveraging social capital as our global economy continues to become more complex and more collaborative. As human capital is restricted to the individual, the knowledge creation capacity of social capital is of greater importance in ensuring a sustainable competitive advantage for the organisation. There needs to be a commitment from HRM to develop both human capital and social capital, and this will lead to greater synergy across the business, and more sustainable outcomes.

Those organisations that have been in sheer survival mode, will have a tougher time restoring the trust than those organisations that from the outset have communicated their strategic direction. As the environment has become more uncertain, engaged employees want more than to know the organisation will survive. They want to know how the organisation will best respond to challenges and capitalise on opportunities. The leaders in times of adversity certainly need to lead from the front. Relationship building is important, and it is also important for leaders not to project their own doubts and discomfort onto their employees. Considerable personal strength is required to get through, and the notion that we now require audacious leaders to take advantage of opportunities does seem apt. HR practitioners cannot wait any longer to prepare, to develop and to be patient and ensure proper implementation of strategies but they should engage employees and implement strategies in their organisations to develop leaders' capabilities, to retain talented employees and to add value in their organisations by helping to recover from the recession. The sooner HRM realises that their role is immeasurable for taking the lead in developing leaders the sooner all organisations will prosper.

References

Adler, PS 2003, 'Making the HR Outsourcing Decision', *MIT Sloan Management Review* vol. 45, no. 1, pp. 53-61.

Barry, CA 1998, 'Choosing Qualitative Data Analysis Software'. *Sociological Research Online.* Viewed 8 September 2008 http://www.socresonline.org.uk/socresonline/3/3/4.html

Bergh, ZC & Theron, AL 2009, 'Psychology in the work context', 4th ed. Johannesburg, Thomson.

Bernardes E 2010, 'The effect of supply management on aspects of social capital and the impact on performance: a social network perspective', Journal of Supply Chain Management, vol 46, no. 1, pp. 45-56.

Black, B 1999, 'National culture and labour-market flexibility'. *The International Journal of Human Resource Management*, vol, 10, no. 4 pp. 592-605.

Boxall, P, Purcell, J & Wright, P 2007. *The Oxford Handbook of Human Resource Management.* Norfolk: Oxford University Press'.

Burton, L 2003, '*The next big thing*'. People Dynamics, vol. 21, no. 2, pp. 22-23

Carter, S 2009, May. 'Audacity Will Lift the Gloom'. *Engineering & Technology, no 4 pp* 72-75.

Casanueva, C & Gallego, A 2010. 'Social Capital and Innovation: An Intra-departmental' Perspective. *Management Revue,* vol. 21, no. 2, pp 135-154.

Chalofsky, N & Krishna, V 2009. ' Meaningfulness, Commitment, and Engagement: The Intersection of a Deeper Level of Intrinsic Motivation', *Advances in Developing Human Resources,* no 11, 189-203.

Cohen, A & Golan, R 2007. 'Predicting absenteeism and turnover intentions by past absenteeism and work attitudes. An empirical examination of female employees in long term nursing care facilities', *Career Development International,* vol. 12, no. 5, pp 416-32.

Coleman, A 2006. 'Does e-recruitment work?' *Director,* vol. 59, no. 12, p 27.

Cosack, S, Guthridge, M & Lawson, E 2010. 'Retaining Key Employees in Times of Change'. *McKinsey Quarterly,* no. 3, 135-139. Retrieved from Business Source Complete database

Daft, RL 2011. 'The leadership experience'. Cengage Learning, Australia Pty Limited

Drath, W, McCauley, C, Palus, C, Van Velsor, E, O'Connor, P & McGuire, S 2008. 'Direction, Alignment, Commitment: Toward a More Integrative Ontology of Leadership'. *The Leadership Quarterly,* no 19, 635-653.

Dugan, L 2003. '*Approaches to Training and Development '* (3rd ed.). Cambridge: Perseus.

Du Plessis, AJ, Paine, S, Botha, CJ 2012. 'The Role of Human Resource Practitioners Maintaining Sustainability in Organisations: Some Empirical Evidence of Expectations, Challenges and Trends'. International Journal of Contemporary Business Studies, vol. 3, no. 4 April pp 16-35

Du Plessis, AJ, Frederick, H, Maritz A 2013. 'Education and training deficits n industrial clusters: Empirical evidence that managers can use to rectify the skills gap in Auckland precinct'. National Academy of Management. Actual Problems of Economics, vol. 2, no. 3 pp 12-20

Du Plessis, AJ, Nel, PS, San Diego, J 2013. 'Workforce cost effects on productivity, quality and satisfaction in organisations.' Journal of Community Positive Practices vol.13, no. 1 pp 165-181

Du Plessis, AJ 2010. 'International Human Resource Management: an overview of its effect on managers in global organisations'. Interdisciplinary Journal of Contemporary Research in Business, August, vol. 2, no. 4 pp 178-192

Du Plessis, AJ, Frederick, H 2010. 'Local Ontologies and Epistemologies of Leadership in the Rosebank Business Precinct of Auckland, New Zealand'. Interdisciplinary Journal of Contemporary Research in Business, November, vol. 2, no. 7

Du Plessis, AJ 2009. 'An overview of the influence of globalisation and internationalisation on domestic Human Resource Management in New Zealand'. International Review of Business Research Papers, vol. 5, no. 2, March pp 1-18.

Dutra, A 2010, September. ' Retain Top Talent: Ask Your Stars What They Want'. *Leadership Excellence, pp*18-19.

Erasmus, BJ, Loedolff, PVZ, Mda, T & Nel, PS 2007. '*Managing Training and Development in South Africa'* (4th ed.). Cape Town: Oxford University Press.

George, B 2010, Fall. 'The New 21st Century Leadership'. *MWorld, pp*3-5.

Goldsmith, M & Morgan, H 2003. 'Leadership is a contact sport'. [Online] Available: www.marshallgoldsmithlibrary.com/docs/articles/LeaderContactSport

'I'm an OK Leader. Yeah, Right!'. 2010, April. *New Zealand Management*, no. 57 p3
JRA 2008. '*Employee Engagement: Stories of Success'*. ThinkRed.
JRA 2010, March. ' *Employee Engagement: We're All in This Together'*. ThinkRed.
Kamoche, K 2006. 'Managing people in turbulent economic times: A knowledge-creation and appropriation perspective'. *Asia Pacific Journal of Human Resources,* vol. 44, pp 25-45.
Kennedy, E & Daim, T 2010. 'A strategy to assist management in workforce engagement and employee retention in the high tech engineering environment'. *Evaluation and Program Planning,* vol. 33, pp 468-476.
Kerfoort, K 2007, January/February. 'Staff Engagement: It Starts with the Leader'. *Nursing Economics,* vol. 25, no. 1, pp 47-48.
Key, J 2010. 'Leading a nation through recession'. L*eadership* no. 3 p8
Lajtha, A 2010, September. 'Differentiation: Try a Human Capital Strategy'. *Leadership Excellence,* vol. 27, no. 9, pp 9-11.
Loehr, J 2005. 'Become Fully Engaged'. *Leadership Excellence,* vol. 22, no. 2, pp 14.
Macpherson, R 'Social Leadership Australia'. 2010. On line Available: www.ourcommunity.com.au [September 2010 edition 7 p 2-3]
Macky, K. 2008. '*Managing Human Resources in New Zealand'* (3rd ed.). New South Wales: McGraw-Hill Australia.
Macky, K & Boxall, P. 2006. 'Human resources in New Zealand'. NSW: Mc Graw-Hill Australia.
Maritz, A, du Plessis AJ 2011. **'**Entrepreneurial Marketing Perspectives during Business Recovery in a Recession: A Practice Based Approach'. International Journal on Global Science and Technology Forum (GSTF). August, vol. 1, no. 1, pp 249-255.
McCormick, I 2010, July. 'Paid to Fail: What Boards Can Do About Overpaid CEOs'. *The Director,* vol. 8, no. 3, pp 63-64. Retrieved 20 October, 2010 from http://directorevaluation.com/public/documents/overpaidceos.pdf
Minter, S 2010, September. 'Identifying Your Future Leaders'. *Industry Week,* pp24-26.
Molina-Morales, F & Martinez-Fernandez, M 2010. 'Social Networks: Effects of Social Capital on Firm Innovation'. *Journal of Small Business Management,* vol 48, no. 2, pp 258-279.
Nel, PS, Du Plessis, AJ 2007. 'Human resources and management challenges for South Africa in the context of workplace diversity'. International Review of Business Research Papers vol. 3, no. 5, November pp 308-327
Nel, PS, Werner, A, Du Plessis, AJ, Fazey, M, Erwee, R, Pillay, S, Hearn Mackinnon, B, Millett, B, Wordsworth, R 2012. '*Human Resource Management in Australia & New Zealand'.* Oxford University Press, South Melbourne, Victoria, Australia
Noe, RA 2002. '*Employee Training & Development*'(2nd ed.). New York: McGraw-Hill Higher Education.
Ogden, G 2010. August. 'Talent Management Drives Success'. *Healthcare Registration,* vol. 19, no. 11, pp 9-11. Retrieved from Business Source Complete database
Overby, S 2009, May. 'Forging Good Leaders in Bad Times'. *CIO,* pp 40-48.
Paine, S 2008. 'The emerging role of HR practitioners' expectations, challenges and trends'. Unpublished Master of Business Thesis, Unitec, New Zealand, February.
Pienaar, J & Willemse, S 2008. 'Burnout, Engagement, Coping and General Health of Service Employees in the Hospitality Industry'. *Tourism Management,* no. 29, pp 1053-1063.

Pirolo, L & Presutti, M 2010. 'The Impact of Social Capital on the Start-ups' Performance Growth'. *Journal of Small Business Management*, vol. 48, no. 2, pp 197-227.
Progoulaki, M & Theotokas, I 2010. 'Human resource management and competitive advantage: An application of resource-based view in the shipping industry'. *Marine Policy,* no. 34, pp 575-582. Retrieved from Business Source Complete database.
Schuller, T. 2007, March. 'Reflections on the Use of Social Capital'. *Review of Social Economy,* vol. 65, no. 1, pp 11-28. doi: 10.1080/00346760601132162
Seijts, G & Crim, D 2006, March/April. 'What Engages Employees the Most or, The Ten C's of Employee Engagement'. *Ivey Business Journal,* no. 29, pp1053-1063.
Sharkie, R 2003. 'Knowledge creation and its place in the development of sustainable competitive advantage'. *Journal of Knowledge Management,* vol. 7, no. 1, pp 20-31.
'Stark Leadership Insights' 2010, August. *New Zealand Management*, no. 57 p7.
Strack, R, Caye, J, Thurner, R & Haen, P 2009, March. 'Creating People Advantage in Times of Crisis: How to Address HR Challenges in the Recession'. *European Association for People Management,* Boston Consulting Group, European Association for People Management.
Styhre, A 2008. 'The role of social capital in knowledge sharing: the case of a specialist rock construction company'. *Construction Management and Economics,* no. 26, pp 941-951.
Valentine, S 2009. 'Human resource management, ethical context, and personnel consequences: A commentary essay'. *Journal of Business Research,* no. 63, pp 908-910
Weisingera, J & Black, J 2006. ' Strategic Resources and Social Capital'. *The Irish Journal of Management,* vol. 26, pp145-170.
Whelan, E, Carcary, M 2011. 'Integrating talent and knowledge management: Where are the benefits?' *Journal of Knowledge management,* vol. 15, no. 4, pp86-101.
Wilcox, T 2006. 'Human resource development as an element of corporate social responsibility'. *Asia Pacific Journal of Human Resources,* vol. 44, pp184-196.
Wright, P & Kehoe, R 2008. 'Human resources practices and organisational commitment: A deeper examination'. *Asia Pacific Journal of Human Resources,* vol. 46, pp 6-20
Young, S & Thyil, V 2009. 'Governance, employees and CSR: Integration is the key to unlocking value'. *Asia Pacific Journal of Human Resources,* vol. 47, pp167-185