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HUMAN RESOURCE'S ROLE WITH BUSINESS RECOVERY DURING AND AFTER A RECESSION TO ENGAGE EMPLOYEES AND RETAIN TALENT

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Abstract: *A comprehensive literature review in the area of leadership development, employee engagement and talent retention to determine what does HR need to do to create people advantage in this new era of business recovery; HR's role in leadership development; if there is a shift in HR's focus from human capital to social capital; and how could organisations engage employees in decision making using their talents to help recover from the recession. While countries such as South Africa, New Zealand and Australia continue to experience leadership talent shortages, and the recession forces organisations to review the effectiveness of their leadership development programmes, meaningful change seems essential. Developing countries have similar problems. How do these developing countries prepare (crouch), develop (touch) implement (pause) and engage (involve) their employees to develop leaders for the future? Some findings are that today's business leaders need to get personally involved in mentoring future leaders and in guiding their development; leaders need to be values-centred leaders focused on building sustainable organisations that serve society; it is challenging for most organisations to make leadership development a priority while leaders face an ever growing list of challenges such as cost cutting and customer demands, strategic planning and successful innovation, and fewer resources available to achieve their goals. Human resource managers have a huge role to play in these issues and they have enormous challenges but also opportunities to put strategies in place to help to recover from the recession.*

Keywords: *Recession, business recovery, leaders, development, talent retention*

Introduction

This paper is a literary exploration of the role that HR could play in the leadership development and talent retention to help businesses recover during and after the recession. 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 of us were totally unprepared for the extent of the repercussions from this

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event. It is common knowledge that around the world stock markets have fallen, large financial markets have collapsed and many governments have had to bail out their financial institutions. The global financial crisis, and the subsequent worldwide recession, has had far reaching impact on people and businesses everywhere and specifically on employees and it 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 of the 1930's.

As the world economies emerge from a Global Financial Recession, the focus is on preparing the workforce for growth opportunities. Many leaders are convinced that the recession is actually something of the past (Key, 2010). For employers it is not so easy to accept because they are still struggling to get themselves out of debt. Companies need to retain their employees and expect high performance from their human capital. With the economy 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.

This paper first discusses a comprehensive summary of literature review in the area of leadership development, employee engagement and talent retention. In order to evaluate academic claims and findings, some definitions are required to clearly establish the areas under investigation. These topics will be reviewed to determine any common themes or critical differences. Any interrelationships between these areas will also be considered and discussed. As the literature base is immense, a broad management perspective will be taken, rather than a technical perspective. Ways in which HR can create sustainable competitive advantage will be discussed, highlighting key challenges and opportunities. Academic literature in these areas will be reviewed.

This will enable 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. As organisations still continue to struggle to survive and thrive post-recession it is likely that changes may still need to be made in their current workplaces.

Objectives of this study

The objective of this study is to ascertain human resources' (HR'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.

To achieve the objectives, some key questions are considered and answered in this paper:

- What is HR's role in leadership development
- What does HR need to do to create people advantage in this new era of business recovery?

- In this business recovery, will there be a shift in HR's competitive focus from human capital to social capital?"
- Will organisations engage employees more in decision making and use their employees' talents to help escape the downside of the recession?

Problem statement

Leadership development, talent retention and employee engagement could assist businesses to recover from the recession. The problem is that many organisations underestimate their employees' abilities and capabilities in this regard. Human capital could be utilised to develop new business. Suggestions of employees should be discussed, used and developed to recover what was lost during the downturn in the economy. A further problem for employers to address is that they should use and develop the talents of their employees to provide better "equipped" employees with knowledge and skills to add value in organisations (Du Plessis, 2010).

Literature review

Leadership Development

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. 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 (Key, 2010).

The Australian, 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 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 above. The solution has to be created collectively by all the different stakeholders (Social Leadership, 2010).

On what Macpherson (2010) regarded as the greatest barriers to new leaders emerging in Australia he is of the opinion that Australia has a flawed leadership paradigm. 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.

He postulates that real leadership is a much more inclusive and collaborative activity. There are people right across our communities who don't have formal power or hierarchical power who are exercising leadership every day on tough issues – people who wouldn't necessarily identify with the word 'leadership' – but we continue to look to 'leaders' for the answers, and, increasingly, because of the complex nature of the world, those people fail to provide those answers and then they are being blamed. Real leadership is almost always a risky activity – and a thrilling activity – but it's not management. Leadership has that element of bringing about genuine progress and that means tackling the real, underlying issues and asking the hard questions. It's not the easy path and almost always it involves an element of real loss, or at the very least, the fear of loss.

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

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?

To understand the concept 'leadership' it is necessary to look at it from a few different perspectives and views. Leadership is an influence relationship among leaders and followers who intend real changes and outcomes and reflect their shared purposes (Daft & Pirola-Merlo 2009). Another view is from Bergh & 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. "a process whereby an individual influences a group of individuals to achieve a common goal".

As companies struggled during the recession, many companies put a moratorium on salary increases, promotions, pension changes, mandatory taking of annual leave, they are reducing work hours, imposing a hiring moratorium and cutting training budgets, which included leadership development (Strack, Cave, Thurner and Haaen, 2009; Dutra, 2009). "While lowering costs may be the short-term goal, such changes will, over the long term, inject agility, accountability, and speed into the organisation at the same time" (Strack, *et al.*, 2009: 12).

Some organisations might not have a HR department and therefore they are left without the right processes in place to identify and develop talent. They will struggle to perform and compete globally or even in their own country at a high level in the new economy (Ogden, 2010). Yet many leaders are simply more comfortable evaluating sharply defined, easily understood initiatives such as expanding departments or making IT upgrades. Directing limited resources toward developing the so-called "soft skills" of business leadership, talent development, and employee management can appear less strategic in comparison.

Leadership development is linked to business recovery as we require leaders to propel us to a vibrant future. To move any organisation forward, key questions could include issues about what their workforce look like now, what should it look like, given their business goals, and how do they retain that optimized workforce once they've acquired it? (Baker, 2006 as cited in Kennedy & Daim, 2010).

The tough things that leaders did to keep going eroded bonds. Economic recovery offers a chance to restore them and renew a sense of pride and purpose. This isn't a matter of making it up to employees; it's the ultimate competitive advantage (Dutra, 2010). Adversity can be a chance for renewal. What is critical to this success is gathering the business together around values and vision rather than simply focusing on the transactional goal/reward relationships that so many organisations have drifted into (Carter, 2009).

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).

DDI asserts that leaders are not meeting the current as well as the future anticipated needs of their organisations. Organisations continue to demonstrate a reluctance to build a learning culture – despite all the evidence that shows that businesses that endure are those that learn and continuously evolve (Minter, 2010). While countries such as South Africa, New Zealand and Australia continue to experience leadership talent shortages, and the recession forces organisations to review the effectiveness of their leadership development programmes, meaningful change seems essential. A lack of quality development programmes leads to serious consequences. Many people who move into strategic roles aren't prepared for either the changes, or the demands involved. The crucial transition from one level of leadership to the next requires a significant investment and preparation by organisations because the competencies for success continue to shift and change. As people move into more complex strategic roles, they're no longer leading teams, they're leading leaders so this requires a real shift

– not only in how they need to think about the organisation and its requirements, but also in how they execute their responsibilities (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. George (2010) contends that organisations need 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).

To effectively develop these future leaders, George (2010) recommends that today's business leaders need to get personally involved in mentoring future leaders and in guiding their development. Even more importantly, emerging leaders need to be given opportunities to gain experience on the firing line. It's through experience that individuals can learn about themselves and their leadership so they are prepared for the greater challenges that lie ahead.

Toyota CIO Barbra Cooper takes this approach (Overby, 2009) that she tries to take advantage of everyday events – problems or personnel issues – and turns them into real-time learning opportunities. She just never stops trying to be a leadership developer and is thinking about it all the time. 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 (as the new heads of these major corporations).

PepsiCo's Indra Nooyi commits time and energy to developing future leaders. Key objectives are growing a sustainable enterprise that will positively impact the communities Pepsi serves, steering the soft drink giant toward healthier food options, and experimenting in philanthropic initiatives.

Real changes in leadership require changing the beliefs and behaviours of everyone who thinks and acts in ways that sustain the culture (Minter, 2010). Changing the beliefs and behaviours of people in positions of authority is necessary but not sufficient to bring about changes in leadership. According to George (2010) we need leaders aligned with the company's mission and values, who can empower other leaders, and are effective in collaborating inside the organisation and externally as well.

Yet, in the aftermath of the global economic meltdown, it is challenging for most organisations to make leadership development a priority. Leaders face an ever growing list of challenges – from cost cutting and customer demands to strategic planning and successful innovation – and the resources available to accomplish them continue to contract. 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).

Senior managers live in a real and desperate fear of their organisations failing or at least being severely damaged. The instinctive reaction is to draw back, cut investments, cancel projects, retrench, retreat back to a comfort zone, but this instinct to withdraw can create a siege mentality where people reduce activity and energy levels. Carter (2009) warns that organisations can become paralysed by the enormity of the economic forces bearing down on them, and in the process fail to mobilise the increased motivation and entrepreneurial activity that is required to survive. Organisational resilience in such demanding times requires a fast, clearheaded distinction between things you cannot impact upon (usually external to the organisation) and the things you can impact upon and shape (usually internal). One of these critical internal factors is the quality of leadership.

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.

A learning organisation is a company that both learns and fosters learning (Erasmus *et al.*, 2007). By integrating work and learning, a learning organisation seeks quality, excellence and continuous improvement. There is an emphasis on continual transformation in order to better collect, manage and use knowledge. Learning organisations can be distinguished by their ability to continually expand their capacity to learn and transform themselves (Thomas & Allen, 2006). It is through organisational learning that companies can gain sustained competitive advantage and the emphasis on training, education and development of individuals is most important.

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). The next few paragraphs will explore the definitions and roles of each of the three concepts. 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.

Training describes the specific learning activities undertaken to improve an employee's knowledge, skills and abilities in order for them to better perform their duties (Du Plessis & Frederick, 2010; Macky, 2008). 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.

Education improves overall competence of the employee beyond the job they are currently performing (Du Plessis & Frederick, 2010; Dugan, 2003). In general terms, education is designed to prepare an individual for life while training prepares an individual to perform specific tasks. 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 programmes are designed to assist in developing and fulfilling 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 (Noe, 2002). 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.

Talent Retention

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, 2010).

Human resources and line managers need to work together during times of major organisational change to identify people whose retention is critical. Yet too often companies simply round up the usual suspects – 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.

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 (Cosack, Guthridge, & Lawson, 2010).

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.

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. 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 (Ogden, 2010).

A good example of a company focusing on achieving their talent retention goals is IBM. 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 & Daim, 2010). Another company focused on retention and development is Motorola, who believe that it receives $33 for every $1 invested in its employee's education and training. Kaliprasad (2006, as cited in Kennedy & Daim, 2010) asserts that the only sustainable competitive advantage in today's marketplace comes from keeping employees educated and developing them for future challenges.

The literature continues to highlight that capable people are in short supply globally, which accounts for fierce competition between organisations to attract and retain these skilled resources. 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 & Daim, 2010).

HR's role to crouch, touch and pause

South Africa is no different to other countries in the HR field. Several studies that compared South Africa's HR 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 crouch (prepare), to touch (develop) and to pause (to be patient) 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 Strack, *et al.* (2009). 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. And they could fall behind in retaining and recruiting top staff in a marketplace where turnover is high and qualified talent is scarce.

Companies that expect their businesses to return to historical levels sooner should explore flexible solutions to lower costs, whereas companies expecting a longer recovery or a permanently changed environment need to explore restructuring and work force reduction (Strack, *et al.*, 2009). Workers respond most positively when increases in their responsibilities do not come with an increase in stress and strain (Macky & Boxall 2006; Mackie, Holahan & Gottlieb 2001 as cited in Boxall & Macky, 2007).

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. HR's role in development and training prepares companies for the future, as an investment in long-term sustainable growth.

What does HR need to do to create people advantage in this new era of business recovery?

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 work force believes that tenure dictates growth (Campbell, 2002). One of the primary challenges for HR managers today concerns motivating employees to carry out broader and more proactive roles. HR managers will need to develop novel approaches to motivation to retain such an emergent 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. 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 (Chalofsky & Krishna, 2009).

The impending retirement of the baby boomer generation, 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 (Strack, *et al.*, 2009). Increased global competitiveness will require an educated and skilled workforce, and the reduction in talent pool will mean that skill shortages are likely to be even more acute. "HR has no more error margin in the recruiting process – we have to hire 100 percent quality" (Thoral as cited in Strack. *et al.*, 2009: 4).

Clare Parkes ("I'm an OK Leader", 2010) identifies several key areas for HR managers and organisations to focus on:

- Stabilise the organisation following restructure through more effective and comprehensive communication
- Identify critical skills – source and develop from within across all levels of staff
- Effectively manage poor performance and have more robust discussions with employees
- Undertake learning and development interventions for all staff – with particular focus on management skills, creating a clear career path for employees, and providing clear expectations of performance
- Understand key metrics in relation to staff turnover rates and engagement levels, paying particular attention to the cost and effort required to obtain 100% productivity from new recruits
- Review how employees are rewarded and develop clear principles for activity that will retain core skills.

HR's focus on sustainable competitive advantage, human capital and social capital

Just because an organisation uses its resources, capabilities and competencies to achieve competitive advantage, this doesn't guarantee that this competitive advantage will be sustainable. 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. People want to work and stay at companies that get this right. 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.

During a recession, traditional planning is inadequate to meet business needs. Leaders need talent and leadership strategies that help them achieve differentiation. 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 (Lajtha, 2010).

Leaders need to develop resources and competencies to meet the criteria to provide long term sustainable competitive advantage (Du Plessis, 2010; Barney, 1998; Golden and Ma, 2003). Progoulaki and Theotokas (2010) agree that resources and capabilities constitute the base for the formation of sustainable competitive advantage. 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. In this way, sustainable competitive advantage comes from teams not individuals; from human resource systems not single practices.

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. The literature provides further support for the view that the most valuable strategic resources are socially constructed (Hall 1992; Schoemaker & Jonker, 2005 as cited in Weisingera & Black, 2006). Over the years various forms of intangible and tacit resources, which are socially constructed, have been identified as being valuable (Golden & 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: 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: 942 and Weisingera & Black, 2006: 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: 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, & Swan, 2005: 236 as cited in Styhre, 2008: 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 that can be used to develop, access and use resources. Lin, Cook and Burt (2001 as cited in Pirolo & 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: 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: 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 & 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.

Casanueva & Gallego (2010) discuss three dimensions of social capital:

- structural dimension (social networks involved),
- cognitive dimension (shared meaning) and
- relational dimension (trust and norms) .

Resource embeddedness is a new dimension of social capital. 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). Structural embeddedness plays a larger role in explaining execution-oriented tasks whereas relational embeddeness plays a larger role in explaining innovation-oriented performance (Moran, 2005 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 & 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 & 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 & 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 & Ghoshal 1998 as cited in Casanueva & 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;
- To build trust by demonstrating trustworthiness and delegating responsibilities;
- To ensure equality in terms of opportunities and rewards and to foster commitment and cooperation;
- To examine existing social networks to see where valuable relationships can be preserved and strengthened.

Employee Engagement (involvement)

Employee engagement is largely about managing discretionary effort; when employees have choices, they will act in a way that furthers 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 & Thyil, 2009).

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. Loehr (2005) contends that full employee engagement is a win for everyone.

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

Further findings showed 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). A total of 245 companies took part in the JRA "Best Places to Work" Survey in 2010, (up from 216 companies in 2009).

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. 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.

John Robertson, Managing Director of JRA stresses the importance of employee engagement; 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 (JRA, 2008). 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. Research by JRA (2010) suggests 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).

Employee engagement and employee retention are crucial to business success. HR management should bear responsibility for measuring the elements of engagement and retention. After all, HR management 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 – touch it (develop strategies) according to Kennedy & Daim, (2010).

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. The last decade has seen a growing emphasis on the notion of fun at work as a way to increase employee engagement. 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 (Nel & du Plessis, 2007).

Several situations will interfere with our ability to be engaged. 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. 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 (Kerfoot, 2007).

Some challenges and opportunities for HR in the recovery stage during and after the recession

The way forward for HR and HRM is as it has been for some time that is smart employment and business decision making. What has changed though, are the focus areas, and the increased complexity of the employees as well as the business environment. With a renewed focus on the importance of sustainable relationships, audacious decision making and effective communication, businesses should be on the right track. HR has the opportunity to engage employees and get them committed to the organisation so that they can aid business recovery. Another key challenge for HR 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 & Herscovitch 2001 as cited in Wright & 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 & 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 & 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 HR in the future (Maurer & Ebers, 2007 as cited in Styhre, 2008).

CONCLUSIONS

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. Driving performance has become the key focus for many. 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 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.

Expectations of our leaders have changed due to a series of events, such as corporate scandals, 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 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 HR to develop both human capital and social capital, and this will lead to greater synergy across the business, and more sustainable outcomes.

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. 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.

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 (crouch), to develop (touch) and to be patient (to pause) 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.

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