Role Of Leadership And Stakeholder Engagement In Creating Human Capital.

Dr. Kiran S Nair, Dr. Lakshmi Radhakrishnan

Abstract: Human capital creation is a crucial process that organizational leadership and stakeholders must adapt to guarantee the sustainability of the organizations. The concept of human capital creation corresponds with social capital; these two concepts emphasize the need for the organizational leadership to foster integration of both social skills and results-focused tendencies. A leader that can integrate these two dimensions becomes analytic, empathetic, passionate, and communicative. Also, leaders and stakeholders have a role to interdigitate tenets of both social and emotional skills that consequently foster both emotional and rational employee engagement in organizations. Employees perform at their optimal best when they feel valued, encouraged, integrity, inspiration, clear communication, recognition, stimulating work, vision, good example, support, focus on the interests and needs of the team, and expecting the best are some of the roles that organizational leadership must accomplish to ensure improvement in human capital. Therefore, organizational leadership and stakeholders have to accomplish some of these functions to ensure that the value of human capital matches the needs of the organization. In improving the value of the workforce, leaders target meeting both the needs of the organization and employees (Koednok, 2013; Pasban & Nojedeh, 2016). Apart from the utilization of transformational and transactional leadership styles, organizational leadership can nourish the workforce through education, experience, and training. Action learning and LEAD programs are some of the techniques that have been utilized in the Europe, Middle East and other regions across the world to improve human capital. Therefore, this research will aim to investigate the influence of action learning, LEAD programs, and transformational leadership on the creation of human capital. In this research, organizational leadership is used to refer to employees that hold leadership roles in an organization. In addition, stakeholders are parties other than the owners and managers but whose actions influence the operations of an organization. Since all employees are stakeholders to an organization, it is imperative to delineate the meanings attached to stakeholders and organizational leadership in this research.

1. INTRODUCTION

Organizational leadership and stakeholder engagement play an instrumental role in the creation of human capital in organizations. Human capital refers to the education, skills, attributes, and capacity that enable employees to perform at the expected levels (Pasban & Nojedeh, 2016). In this regard, human capital creation is the changes in the abilities of the employees that make them perform at improved levels. Leaders and stakeholders adopt a myriad of frameworks and approaches to foster human capital creation. Even the most effective recruitment processes do not guarantee acquisition of talents that can have an immediate impact on firms. This implies that after recruitment, leaders and stakeholders must adopt approaches that foster improvement in the knowledge, skills, and abilities of the workforce. Leadership styles utilized in organizations play a crucial role in the creation of human capital. In particular, Koednok (2013) recommended that leaders and stakeholders need to integrate tenets of transformational and transactional leadership styles to foster human capital creation. Utilization of effective leadership fosters the creation of human capital thus contributing to high productivity, efficiency, and innovation in organizations. Andriof, Waddock, Husted, and Rahman (2017) suggested that effective leaders are those who combine both their social skills and results-focused tendencies. Analytic, empathetic, passionate, and communicative are the core characteristics of leaders who can foster human capital creation. Also, leaders and stakeholders have a role to interdigitate tenets of both social and emotional skills that consequently foster both emotional and rational employee engagement in organizations. Encouragement, integrity, inspiration, clear communication, recognition, stimulating work, vision, good example, support, focus on the interests and needs of the team, and expecting the best are some of the roles that organizational leadership must accomplish to ensure improvement in human capital. Therefore, organizational leadership and stakeholders have to accomplish some of these functions to ensure that the value of human capital matches the needs of the organization.

2 PURPOSE OF RESEARCH

The research aims to establish the role of organizational leadership and stakeholders in the creation and formation of human capital in organizations across the world. Human capital creation and management continues to impair the performance of organizations globally. However, the challenges and dynamics influencing HRM performance vary from region to region, and these challenges originate from variables spread within three principal mechanisms, i.e., normative, coercive, and mimetic. As such, human capital creation strategies employed in a certain region might not produce the intended impact if the organizational leadership and stakeholders in a different region applied them. Although numerous researchers have added crucial information to the body investigating human capital creation, the information has had little influence on the plans adopted in the organization since they are fragmented. This has had devastating consequences in some organizations; the human capital has failed to perform at levels that correspond to the trends in technology and dynamics in the global market and economy. Therefore, a meta-analysis of the available resources is critical to ensure that the organizational leadership and stakeholders have an understanding of the types of plans that are likely to
impact positively on human capital creation in firms. The idea is that if the organizational leadership and stakeholders understand their role in human capital creation, then they can adopt approaches and frameworks effective in the creation and formation of human capital.

3 THE SIGNIFICANCE OF THE RESEARCH

Ncube, Anyanwu, and Hausken (2014) and Salehi-Isfahani (2016) resonated on the observation that organizational leadership and stakeholders in the Europe, Middle East and North Africa regions have failed to create human capital with the capability to sustain business models and pressing trends in this information age. As such, these regions continue to experience low economic growth rates, high poverty indices, and inequalities. However, utilization of social capital through human capital creation has the potential to solve some of the challenges that continue to ail organizations in these regions. Nonetheless, organizational leadership and stakeholders have hardly done anything to leverage the value of human capital. This is because of the fragmentation of those studies that cover the role of organizational leadership and stakeholders in the creation of human capital. The available literature is fragmented, and as such, it does little to formulate conclusions regarding this topic. Therefore, a systematic review of the fragmented studies is necessary to ensure that organizational leadership and stakeholders understand their roles in the process of human capital creation. The finding of this research can inform decision-making processes in organizations worldwide.

4 LITERATURE REVIEW

Budhwar, Pereira, Mellahi, and Singh (2018) revealed that normative, coercive, and mimetic mechanisms have all impacted on the state of HRM in MENA countries and the Gulf Cooperation Council (GCC) states. The stiff competition among organizations in different sectors in the Europe, Middle East and other regions across the world require firms to adopt business models and frameworks that sustain their operations. A crucial framework for this purpose has to incorporate the creation of human capital. Since the top leadership in an organization has a better grasp of the performance levels expected to achieve the set objectives, then leaders in an organization must refine the knowledge, skills, and abilities of the workforce to exceptional levels. However, stakeholders also have a huge role to play in the creation of human capital in an organization. Anderio et al. (2017) opined that stakeholder engagement in the creation of human capital depends on the values, virtues, and managerial practices adopted in an organization. Global corporate citizenship, corporate social responsibility, corporate social performance, and corporate social responsiveness are the fundamental dimensions that define the engagement of organization leadership and stakeholders in the creation of human capital. In particular, corporate social responsibility embodies the tenets of social innovation, and this is a wave that all organizations must embrace. Pasban and Nojedeh (2016) observed that the concepts of human resource management and human capital creation have become popular in business management globally. In particular, these researchers argued that effective implementation of the techniques and philosophy of human resource management and human capital creation improves the assets of an organization due to the positive influence on the workforce’s efficiency and development of sustainable competitive advantage. The efforts of the organizational leadership and stakeholders in the creation of human capital in organizations depend on the competence of the human resource (HR) department. The HR department has a key role to ensure that the employees drafted in an organization have the knowledge, skills, and abilities that have a positive impact on the attainment of the set goals and objectives. In this regard, an incompetent HR department has a high likelihood of recruiting incompetent employees thus shifting a huge workload to the organizational leadership and stakeholders in their bid to improve human capital. In any organization, human capital creation starts with those leaders in the HR department. The core role of the HR department is to implement policies and adopt strategies that guarantee the attainment of the organizational goals and objectives through employees. The HR department specializes in the recruitment process although it can also train and offer benefits to the employees aimed at the creation and formation of the human capital. Education and training is a major role whose implementation by both the organizational leadership at all levels and stakeholders foster human capital creation. Budhwar et al. (2018) revealed that human resource management (HRM) in the Middle East and developing European countries has developed and progressed over the years. However, some structural challenges have impacted negatively on HRM in these regions thus compromising the ability of organizations in these regions to compete with firms in developed countries. Nonetheless, the adoption of effective human capital development plans can level the playing ground thus ensuring that organizations in the Europe and Middle East compete fairly with firms in developed countries. Concisely, human capital creation can foster improved performance of organizations in Europe and Middle East. Even so, this potential remains untapped given the fragmented nature of the studies that descant the role of organizational leadership and stakeholders in human capital creation. Martin, McNally, and Kay (2013) maintained that education and training (EET) are the crucial techniques employed in organizations to create and enhance human capital. The top management in an organization adopts a strategy deemed effective in aligning the performance of the employees with the goals and objectives ingrained in the vision and mission statements of the organization. Attainment of the organizational goals hangs on the ability of the employees to perform at the required levels. Since studies that have sought to address human capital creation in Europe and Middle East remain dispersed, most organizational leadership and stakeholders have little understanding of their roles in human capital creation. Organizational leadership has a role in adopting the type of leadership style that fosters the creation of human capital. The different tenets of management and leadership styles imply that some have high efficacy in improving the social capital of the workforce in comparison to others. Social capital is an imperative dimension in human capital creation and improvement as it imparts employees with skills that promote close relationships. The organizational leadership must adopt the type of leadership style that promotes both results focus and social skills. As such, the value of the workforce will improve thus helping in the attainment of the set goals. Knowledge, skills, and abilities (KSAs) are three core variables used in measuring and evaluating the value of human capital to an organization. During the recruitment process, the human resource
department has to employ a thorough vetting process to ensure that the recruited employees have the required KSAs. Regardless of the utilized vetting process and the adopted criterion, it is always hard to find employees who come in and have an immediate impact on an organization. This implies that leaders and other stakeholders in an organization are forced to adopt plans that foster human capital creation. Even so, Han, Han, and Brass (2014) posited that employees have a major role in the creation and formation of human capital. These authors suggested that bonding and bridging are the fundamental tenets of social capital that have a great bearing on the social impact of team creativity. Therefore, organizational leadership and stakeholders have to foster close relationships at the team level to eliminate individual differences and encourage collaborative integration, which consequently fosters human capital creation.

5 TRANSFORMATIONAL LEADERSHIP MODEL
Transformational leadership model finds application in numerous organizations globally. The changing horizons in technology have changed several aspects of organizations and market dynamics alike. Technological enthusiasts and experts in this industry predict that innovations will emerge in future and this will also influence the business models and operations adopted in organizations. In this regard, transformational leadership can help create human capital capable of shaping and growing the future success of the organizations. Concisely, this leadership model requires the organizational leadership and stakeholders to motivate, inspire, and encourage employees to create change and innovate. Koednok (2013) indicated that transformational and transactional leadership models go hand in hand and they both utilize different communication strategies to influence employees to perform exceptionally. These two leadership models foster human capital creation through the management and implementation of changes thus improving the performance of organizations. Studies indicate that transformational leadership model solidifies the trust of the followers in the leaders thus fostering employees to exhibit both extra-role and in-role behaviours (Koednok, 2013). The increased trust in the management by the followers results in a scale up in their performance levels thus fostering attainment of the organizational goals and objectives.

6 LEADERSHIP DEVELOPMENT THROUGH ACTION LEARNING
Action learning has become a popular strategy in human capital creation. The strategy involves a group of individuals working together to address problems in real world situations. Concisely, the team of people involved in leadership development through action learning performs actions to solve the prevailing problems and learn from those actions. Action learning fosters the development of flexible, creative, and successful strategies instrumental in addressing pressing problems in organizations. Effective utilization of action learning requires the facilitator to remain within the fundamental principles of this strategy. These principles include airtime, timed, structure, focus, and learning. All set members must be allowed enough time to contribute to the subject matter in the session. Even so, all members must be timed and encouraged to abide by the conventional structure to ensure coverage of all issues scheduled for the session. Today, experts in the management circles advise that pinnacle management in organizations need to adopt strategies that foster human capital creation at all levels of the organization. Most organizations fail due to lack of effective leadership. In such organizations, leadership is concentrated at the top levels of the organizational hierarchy, and the failure to engage employees at the lower level of the organization has a negative impact on the performance of the organizations. However, the creation of leaders at all level of the organization's hierarchical structure fosters effective interaction between employees and organizational leadership thus boosting the workforce's efficiency. Action learning is a crucial strategy when developing leadership at all levels of an organization. Walia and Marks-Maran (2014) revealed that utilization of action learning has a positive impact on the acquisition of management knowledge and skills. In this model, employees gain new skills and competencies by solving both social problems and urgent organizational challenges. Volz-Peacock, Carson, and Marquardt (2016) argued that the challenges affecting organizations force the adoption of strategies capable of improving the leadership qualities of the employees. However, most of these methods and programs are ineffective and costly. As such, action learning is a popular, cost-effective program, and it entails the use of a coach to impart the leaders and other interested stakeholders with capabilities necessary to handle the current and future challenges in organizations. Therefore this is an important model in leadership development circles, and as such, its utilization by organizational leadership and stakeholders can foster the creation of human capital in organizations.

7 THE LEAD PROGRAM
LEAD is an acronym for leadership education and development. LEAD programs find application in nearly all organizations across the world; and they involve both on-job and workshop training of the employees. LEAD programs involve group discussions of the pressing issues that impact on the operations of the organization. Therefore, collaboration is the central practice in the LEAD program and the facilitator involves employees the five principles of action learning to promote the effective acquisition of leadership qualities. The training focuses on imparting the employees with the necessary skills to help address the emerging challenges in both economic and social circles. The LEAD program was incepted six years ago, and it entails collaboration at a different level of management to help develop skills at the individual level as well as share knowledge that can impact skill development at the team level. In the application of the LEAD program, the organizational leadership and stakeholders need to assemble the management team, interested employees, and leaders at different levels of the hierarchical structure and then involve them in an educational program geared towards developing their management skills. However, the organizational leadership must ensure that training aligns with the values, vision, and mission adopted in the organization. All the participants get the chance to share their views regarding leadership employed in the organization as well as learn from the top management on how to improve their leadership competence. Therefore, the utilization of the LEAD program can have a great impact on human capital creation in organizations in Europe, Middle East and other regions across the world.
8 METHODS AND DATA COLLECTION

Meta-analysis of the previous studies was the research design employed in this study. The research was built on the idea that numerous studies expatiating the role of organizational leadership and stakeholders on human capital creation exist, but they are fragmented. In this regard, a systematic review of these studies can help organizational leadership and stakeholders to adopt plans necessary in the creation of human capital in organizations. The use of action learning and LEAD program demanded the use of a corresponding data collection approach. Action research is used broadly to foster the credibility of the data collected in a training or workshop training aimed at addressing pressing problems. During data collection, numerous studies were assembled from credible databases. Systematic analysis of these sources was crucial in the determination of the roles of organizational leadership and stakeholders in the creation and formation of human capital. The keywords used to retrieve reliable sources included human capital creation, organizational leadership, stakeholders, social capital, action learning, LEAD program, transformational and transactional leadership, and the Europe and Middle East. The study relied on primary data from previous studies and focused on the collection of qualitative data. The objective was to use previous studies that contained the opinions of the organizational leadership and stakeholders on their roles in human capital creation. It was also essential to determine the plans and strategies that leadership and stakeholders can adopt in their capacity to promote human capital creation. The research analyzed qualitative data from two hundred previous studies using software that are built to fit the interpretive philosophy. QDA miner and NVivo software found application in the analysis of the collected qualitative data. Some of the credible sources used were Google Scholar and EBSCOhost and only those studies published in the last five years found application in this study. Date filter was used to select a date range that fitted the criterion of reliable sources.

9 KEY FINDINGS.

Despite the huge potential of human capital creation on the performance of organizations, little has been done to encourage this initiative among the organizational leadership and stakeholders. Creation of a conducive environment for human capital formation along with the employee retention continue to cause numerous challenges experienced in management (Goel & Rana, 2014). However, organizational leadership cannot create a conducive environment for human capital development if it has no idea about its role and position in the efforts to improve the value of human capital. Inability to retain employees has resulted in high turnover rates, which has negative implications on the continued performance of organizations. Efforts by the organizational leadership and stakeholders must target development at both individual and collective level. This is only possible through aligning the role of leadership and effective HR practices. The functions of the HR department in an organization fall in five main classifications. These include to procure, maintain, compensate, develop, and integrate. The main role of organizational leadership in human capital creation is the adoption of an effective leadership style. In particular, Koednok (2013) opined that transformational and transactional leadership styles have a profound influence on human capital formation and improvement. Honesty, inspiration, charisma, intellectual stimulation, integrity, optimism, confidence, creativity, and vision are the main characteristics of a leader that combine both his or her results-focus tendencies and social skills in the creation of human capital. All these characteristics can be imparted on employees working in different sectors among them education, technology and science, business, and government sectors. Also, these leadership styles employ social skills and results-focus tendencies on promoting cognitive, behavioral, and emotional transformation. Therefore, organizational leadership has a role in adopting these types of leadership to foster human capital creation through three dimensions of transformation. Guerci and Shani (2014) suggested that stakeholders have to be incorporated into human capital creation because of ethical, managerial, and analytic reasons. Therefore, adoption of stakeholder-focused HRM practices is crucial in improving stakeholder engagement in the efforts to improve the value of human capital. Apart from the adoption of the effective leadership style, provision of relevant training and education are the other two popular roles played by organizational leadership and stakeholders in the creation of human capital. Workshop sessions, discussion with the inquiry group, and dialogues with the participants are some methods used in the collection of primary data regarding human capital formation. These initiatives fall within training and education and as such, employ the use of LEAD program and action learning strategies of human capital creation. These strategies foster human capital creation under individual level, intergroup level, and organizational level.

10 DISCUSSION

Human capital creation and formation is a practice that cuts across all organizations. The objective of creating human capital is to ensure that the employees have the competencies, which enable them to perform exceptionally. Organizational leaders and stakeholders must liaise with human resource management in organizations to shoulder the role of human capital creation. HR is the most crucial department in human capital creation due to its functions in recruiting, training, and educating employees. The HR department has a role to ensure that the recruited employees have the relevant knowledge, skills, and abilities, which would be instrumental in ensuring high-caliber performance. Despite the stringent recruitment process employed by organizations, they hardly capture the kind of talents that can fit in the firm directly and have an expected impact. This implies that organization leadership and stakeholders must play an instrumental role in improving human capital thus ensuring that the employees perform exceptionally. Hopp (2016) revealed that organizations across the world are struggling with human capital creation. The incredible growth in technology continues to introduce different dynamics, which have consequently lead to the sophistication of organizations. As such, organizations must adopt strategies essential in spearheading the development of leaders and this has resulted in the adoption of accelerated and new leadership models (Hopp, 2016). In particular, adoption of transformational and transactional leadership styles have a positive impact on the creation and formation of human capital. Therefore, the organizational leadership has a role to adopt these.
leadership styles to ensure creation of human capital. Di Fabio and Peiró (2018) and Hopp (2016) resonated on the idea that communication is the crucial variable in the creation of a sustainable human capital. The labor market is full of individuals with the management qualification but a few of these have the right communication skills to make the great leaders. Organizational leadership also need to adopt a social-based business model to foster creation of human capital. Today, many organizations have adopted social innovation techniques, which are aimed at addressing the social and environmental needs of society and people. Engagement in such initiatives foster attraction of better talents in the labor markets and broaden the customer base. Researchers agree that social innovations have a strong relationship with the creation of human capital and as such, those initiatives can improve the performance of the concerned organization. Colombo, Franzoni, and Rossi-Lamastra (2015) observed that the emphasis on social capital and human capital creation has resulted in the adoption of several techniques that foster improvement of the workforce. Organizational leadership can increase expenditure on education and training to promote human capital formation. Such training can involve the utilization of action learning and LEAD programs. In addition, organizational leadership and stakeholders have a role in providing health facilities, offer on-job training, allow movement of employees from one organization to another, education, and study and extension programs to encourage human capital creation. In short, Koednok (2013) revealed that transformational leadership model has a profound influence on human capital creation. Also, leadership development through action learning and the LEAD program can have an immense influence on the role of organizational leadership and stakeholders in their efforts to create human capital.

11 LIMITATIONS AND NEED FOR FURTHER STUDY

The limitation of this study originates from the failure to obtain first-hand information from the participants. The systematic review restricted this research to previous studies. Meta-analysis is also known for biases as the researcher picks whatever source that pops up in the database after searching. Although this analysis provided crucial information on the role of leadership and stakeholder in human capital formation, future studies should focus on experimental studies through action learning and LEAD programs.

12 CONCLUSION

The roles of the organizational leadership and stakeholders in human capital creation fall within adoption of the effective leadership style, training, and educating employees. The examination of the fragmented data indicated that leaders in organizations have little knowledge and understanding of how to foster human capital creation. Organizational leadership can influence the creation of human capital through the integration of social skills and results-focused tendencies. Such a leader is analytic, empathetic, passionate, and communicative and this fosters strengthening of relationships among employees thus promoting improvement in the value of the workforce. Both action learning and LEAD programs fall within the education and training techniques for creating human capital, and they can be conducted through workshop sessions and meetings with the participants. Workshop sessions involve subjecting the participants to numerous challenges that influence operations of organizations from time to time. The participants are required to think of innovate ways of handling these problems. Also, the core function of the trainer is to give direction and impart participants with skills on how to handle the prevailing pressing problems. Concisely, organizational leadership and stakeholders can foster the creation of human capital through the adoption of effective leadership styles, training, and educating employees periodically.

REFERENCES


