The War for Talent in the Knowledge Economy: An HR Perspective

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ABSTRACT
Citing evidence from market surveys and research studies, the paper discusses the issue of global talent shortage and the associated challenges of spotting talent, developing and maintaining it. There is a shortage of workers on the one hand and a dearth of jobs on the other which has led to a human resource crisis in today’s knowledge driven economy. This paradoxical situation is referred to by experts as ‘structural unemployment’. It may be because of the workers lacking the requisite job skills, or living far from regions where jobs are available and unable to move there, or their unwillingness to work because of the low wage rates. Another significant reason is a serious mismatch between what companies need and what workers can offer. So despite the availability of jobs, the workers are out of work. There are three forces impacting the business world in terms of a talent crunch: Globalization, Demographic Shifts, and Lack of Succession Planning. According to HR experts, better hiring is possible if potential is tapped. For smart retention of rare talent, organizations must have sufficient understanding of people issues and sensitivity to generational, cultural and gender differences. However, talent management is also the responsibility of individual employees. Besides, structural reforms at the national level such as changing education to make people high on employability, providing vocational education and, creating a climate conducive to entrepreneurship and innovation, is required.

Keywords: Structural Unemployment, War for Talent, Talent Spotting, Demographics, Talent Mobility

INTRODUCTION
This is an age of contradictions marked by economic growth, shortage of skilled labour and massive layoffs on one hand and recession, increase in the percentage of skilled unemployed, and large scale recruitments on the other. On the global landscape, ‘unemployment’ or ‘lack of opportunities’ for the youth is one of the major challenges. There is an acute gap between supply and demand of talent resulting in a fierce completion among organizations to acquire and retain the limited talent that is available in the market and maintain competitive advantage.
This “war for talent” is a paradoxical term reflecting a mismatch: companies are experiencing a dearth of workers and ironically, there are millions of workers in the labour market who want work. 40 million workers in the industrialized world are unemployed (Recent estimates—International Labour Organization) and yet HR professionals say that they are not able to find the right people with the proper skills to fill vacancies. There exists, what is referred to by experts, a ‘structural unemployment’: a continuing form of unemployment caused by fundamental changes in the economy. It may be because of the workers lacking the requisite job skills, or living far from regions where jobs are available and unable to move there, or their unwillingness to work because of the low wage rates. Another significant reason is a serious mismatch between what companies need and what workers can offer. So despite the availability of jobs, the workers are out of work. Structural unemployment increases by extraneous factors such as technology, competition and government policy.

The Manpower Group in its 2013 Survey of nearly 40,000 employers in 42 countries found that 61% of the employers in India are experiencing difficulty in finding the right employees. The talent shortage is most acute in Japan (85% of employers). Globally, the roles most difficult to fill are skilled trade workers, engineers, and sales representatives. Unfortunately, 22% of employers are not taking any steps to deal with these shortages.

Renowned management consultant Gary Hamel points out: “We have moved from an economy of hands to an economy of heads”; and in this knowledge-driven economy, there are three forces impacting the business world in terms of a talent crunch:

**GLOBALIZATION**

Companies, in order to survive, must internationalize their businesses which entails a competition over the human resource. A current prediction of the International Monetary Fund says that about 70% of the world’s growth between now and 2016 will come from emerging markets. Ironically, firms in developing nations are themselves vying for talent, as well as customers; China which now has 88 companies in the global Fortune 500 is an example. Huawei, the leading Chinese telecommunications company, employs more than 70,000 people, 45% of whom work in R&D centres in countries including Germany, Sweden, the U.S., France, Italy, Russia, and India. Similar examples are found in companies based in Indian and Brazilian markets.

**DEMOGRAPHICS**

According to the U.S Bureau of Labour Statistics, the number of women in the workforce is increasing at a faster rate than the number of men and will continue to do so through at least 2016; the number of children per family is declining and there will continue to be large number of single people in the workforce. In regard to cultural diversity, eventually the term “minority” will disappear and due to increasingly heterogeneous racial mix, cross-cultural communication will become better. It is predicted that the dominant
language by 2050 will be Chinese. Projected decreases in the world population growth will contribute to an on-going decline in the size of the workforce leading to a decline in the number of exemplary performers. A noticeable shift to outsourcing will be seen in the next five years. As is already occurring with manufacturing, organizations will rapidly move intellectual jobs to the lowest cost providers (Countries like India, Poland, and China).

Global Talent 2021, a survey by consulting firms Oxford Economics and Towers Watson, revealed that by 2021, countries such as India, Indonesia and Brazil, where people 25 and younger make up the largest population group, will have a surplus of college-educated, skilled workers. China will have a larger talent pool than the U.S. and countries with aging populations, such as Japan, Germany, Australia and the U.S., will face a talent deficit.

The projected talent deficit in the northern hemisphere could turn the southern hemisphere into a major source of technical talent a decade from now, the report suggested, which could make previously neglected regions, hubs of innovation and product development. This ‘demographic divide’ hints at the fact that in order to build and thereafter to manage talent in the developing nations, the country must provide adequate educational and economic opportunities to its youth to develop their skills but, ironically, the economic resources are also unevenly distributed.

The shifts coincide with other forces transforming the global business landscape such as technological advances requiring new employee skill sets, the rise of middle class consumers in emerging countries changing the demand for goods and services and entrepreneurship in emerging countries increasing competition.

The study identified four broad skills that will be in greatest demand over the next 5 to 10 years:

- Digital Skills
- Agile Thinking Skills
- Interpersonal and Communication Skills
- Global Operating Skills.

**Pipelines:** In PricewaterhouseCoopers’s 2014 survey of CEOs of 68 countries, 63% of respondents said they were concerned about future availability of key skills at all levels. The Boston Consulting Group cites research showing that 56% of executives see critical gaps in their ability to fill senior managerial roles in coming years.

With a dearth of top professionals in the global market, talent spotting is a major challenge. In this new era, the evaluations ought to be based not on brawn, brains, experience, or competencies, but on potential: the ability to adapt to and grow into increasingly complex roles and environments (Fernandes-Araoz, 2014).

The 21st century marks the dawn of the fourth era of talent spotting in which the focus is shifting to potential; the reason being that in a turbulent environment, competency-based appraisals are insufficient. A
competency that enables an employee to be successful in a particular role today may not work tomorrow if the competitive environment shifts and the company’s strategy changes. The question, therefore, is not whether employees have the right skills; it’s whether they have the potential to learn new ones. A focus on potential can improve talent spotting at every level of the organization. The problem here is that potential is much harder to measure than competence. An empirically validated model for assessing potential used by top business houses includes:

The right kind of motivation: it is the first indicator of potential and is defined as a fierce commitment to excel in the pursuit of unselfish goals. High potentials have great ambition and want to leave their mark, but they also have big, collective goals, show deep personal humility, and invest in getting better at everything they do.

Research has unearthed four other qualities that are hallmarks of potential:

**Curiosity:** A penchant for seeking out new experiences, knowledge, and candid feedback and an openness to learning and change.

**Insight:** The ability to gather and make sense of information that suggests new possibilities.

**Engagement:** A knack for using emotion and logic to communicate a persuasive vision and connect with people.

**Determination:** The strength to fight for difficult goals despite challenges and to bounce back from adversity.

However an assessment of general intelligence by looking at the educational background, early job experiences and responses to interview questions is important. Honesty and integrity are critical values along with the extent to which the prospective employee identifies with the organization’s core values.

Apart from global talent shortage, another fallout of globalization and demographic shifts is the inability to manage talent. Finding the right people is hard enough; keeping them motivated once they are on the payroll is even harder. More so if the budgets are limited. Surveys have suggested that about four out of five employees would leave their current job if they could, but most think they would have trouble finding another one. A global Gallup survey found that at the average big firm only 33% of employees describe themselves as fully engaged in their work, 49% say they are not engaged and 18% say they are “actively disengaged”. At what Gallup calls “world-class” companies, the proportions are 67%, 26% and & 7% respectively. Furthermore, even though women are flooding into the labour market in growing numbers the ‘glass ceiling’ that stops them from getting to the top mostly remains in place.

Smart Retention of high potentials is possible only if the organizations analyse key people issues viz. what people want, why they want to work, and what would help them realize their potential. Pink (2009) explains how knowledge workers are energized by three fundamental things: autonomy – the freedom to direct our own lives; mastery – our craving to excel; and purpose – the yearning for our work to serve something larger than ourselves. Autonomy has four dimensions: task (what they do), time (when they do it), team (whom
they do it with), and technique (how they do it). Research shows that while unfair pay can surely demotivate, compensation beyond a certain level is much less important. Fernandes-Araoz (2014) examined candidates who were successful but moved on after three years. 85% were hired for a more senior position. Only 4% cited more money as a reason for their departures. More common reasons were bad bosses, limited support, and lack of opportunities for growth.

Another strategy to develop and maintain talent is ‘Stretch Assignments’ or uncomfortable assignments. Other remedies include structural reforms such as changing education to ensure that people become employable, providing vocational education and creating a climate conducive to entrepreneurship and innovation. The talent pool needs to be built from within through career development and work-life balance initiatives (Ranjekar, Pendse; 2014). Individualism rules, hence HR services and programs are expected to be flexible and customized. Four generations of completely diversified workers comprise the workforce: traditionalists, baby boomers, generation X and Generation Y. The Millennial, because of their deep knowhow of technology, believe they can work flexibly anytime, anyplace, and that they should be evaluated on work outcome. The real revolution is a decrease in career ambition in favour of more family time, less travel and less personal pressure. However, a major chunk of the new generation lacks consistency in their outlook towards work life. “While their expectations from employers match generic trends, their work ethic to support such an expectation falls way behind” (Shermon, 2014). They look for quick career moves, quick opportunity and job hopping. In a recent global survey by a consulting firm, 38% of millennial were found to be looking for new opportunities, while 43% said they were not actively looking but would be open to offers. The opportunity to travel and gather new skills and experience is still a strong incentive for a large part of this generation. Hence, generational awareness would be an advantage to HR when capitalizing on talent.

Lynda Gratton (2011) in her book ‘The Shift: The Future of Work is Already Here’ argues that the pace of change will be so rapid that people may have to acquire a new expertise every few years in order to be a part of the lucrative market for scarce talent. She calls this process “serial mastery” and notes that the current educational system in most countries does a poor job of equipping people for continuous learning. People will have to invest more in their personal ‘social capital’ which will involve three elements: Building a small group of up to 15 people, with some expertise in common and having inherent trust in each other so that they can work together effectively. Any member can turn to the group in periods of crisis and distress. A “big-ideas crowd” that can keep them mentally agile. Hagel and Brown (2010) argued that the successful worker of the future will live in clusters of talented, open-minded people and spend a lot of time going to thought-provoking conferences. A “regenerative community” to maintain their emotional capital, meaning family and friends in the real word “with whom you can laugh, share a meal, tell stories and relax.”
In a nutshell, workers will have to take responsibility for their own future. In a world where more people may work from their home, there is a danger that they will become isolated. One remedy is the emergence of ‘collaborative workspaces’ or ‘hubs’ in big cities around the world. Florida (2012) in ‘The Rise of the Creative Class’ says that talented knowledge workers are choosing to cluster together in cities such as New York, Los Angeles, London and Shanghai so they can interact with each other easily.

The main priority for organizations is to have the right skills in the right place at the right moment. ‘Talent mobility’ is evolving as another solution to the human resource crisis in terms of off shoring, outsourcing, contingent labour, and ‘reverse transfers’ where top performers from emerging markets are moved into developed markets, usually on a short-term assignment to gain valuable experience. ‘Virtual workforce and mobility’ aims at bringing work to the talent’s doorstep to have a win-win situation. “The evolving business hemisphere demands that organizations build dynamic internal processes that can help move talent from role to role both internally and externally, in order to meet business needs” (Ganguli, 2014).

To sum up, the HR fraternity requires a paradigm shift and a change of mind set. The role of the HR manager needs to shift from a protector and screener to that of a planner and a change catalyst.

REFERENCES