

War for talents!?

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War for talents!?! (case study: Ursula Kuntner-Schweickhart)

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How do companies address the dilemma that, despite numerous job-seekers, they face increasing difficulties and costs for finding and, above all, retaining top performers who possess the key competencies needed within the company? What strategies can companies develop for dealing with this shortage of top performers as a crucial factor in the company's development, even now that the hype surrounding the New Economy boom has faded away?

If the diagnosis of trend researcher Matthias Horx is accurate "that most companies are undergoing a rather turbulent transition from the old, industrial business organization to what one could call a knowledge organization,"¹ – and there are many reasons to believe that this is indeed taking place – then it is not surprising that the somewhat militant term "war for talents" first began circulating at the end of the 90s to express the increasingly fierce battle of companies for much sought-after top performers.²

If knowledge replaces work and capital as a deciding factor, a drastic consequence arises which, thus far, has not been considered sufficiently by companies³: Unlike capital or production facilities, for example, knowledge generally remains beyond the company's direct reach. Since it is predominantly in the heads of the employees, it is also in their control. In other words: today, an increasingly large part of what makes up a company's competitive ability in fact leaves the company every evening and could potentially be lost the next day should the employee decide to leave the company for other employment.

Experts are a fleeting commodity

Especially with regard to the most sought-after employees - specialists and executives who possess a high level of soft skills and change management expertise - mobility has risen enormously due to the multiplicity of opportunities and headhunting attempts in recent years. Employees whose knowledge and skills companies most depend on in order to maintain or expand their competitive capability prove to be an increasingly fleeting commodity – a commodity that is difficult and costly to find and even more

1 Oona Horx-Strathern, "War for Talents: Die neue Arbeitswelt und die Personalpolitik der Zukunft," a study by the Zukunftsinstitut of Matthias Horx

2 In 1998, an article in McKinsey Quarterly described the "war for talent" as "a critical business challenge and a fundamental driver of corporate performance."

3 Helmut Willke, Systemisches Wissensmanagement (Frankfurt: 1999)

difficult to retain in the company.

This growing dependency of companies on the quality and willingness of their employees to commit along with the high costs of unsuccessful hirings has significant consequences for personnel and managerial work:

- Strategic issues therefore also become relevant for human resources management: Do we have precise ideas about the direction our company's development is taking, which challenges we must face in order to secure our sustainability, and which qualifications we will need in our executives and experts to successfully steer this course? Do we have an estimation of the current level of potential in our company? Where do resources need to be built up, where should they be shifted, and where should they be developed? Is the cooperation between the personnel department and top management appropriate for the current conditions in the company? Is the HR aspect incorporated into the strategic considerations early enough so that the necessary personnel resources can be made available in a provident and timely manner?
- To achieve the best (external and internal) HR marketing possible, the company must ensure that systematic brand development also takes place within the job market: How are we perceived? What do we stand for? How do we currently present ourselves, and how would we need to present ourselves to be considered a very appealing employer? Can we really attract the kind of employees and executives we need? Do we know their requirements, and can we really provide these working conditions for them? How much do we know about the goals, motives, and individual career expectations of our executives, employees, and our talent within the company? Do they feel that their expectations are sufficiently recognized and supported? Do we ensure a smooth integration of new employees into the company?
- The costs of an unsuccessful staffing process are enormous and are often overlooked. Starting from in-depth considerations of what the benefits of this function are today and what benefits it should bring in the future, what this position's requirements are, what capabilities or potential capabilities a person ideally should have in order to measure up to these challenges, through the ad placement, the first screening of applications, the selection procedure, the functional and social familiarization period, the even quite constructive annoyances caused by someone new, etc., it can take quite a while for the position to be filled and the department affected to come up to full speed again. First and foremost, it is a matter of which methods companies use besides the decision-makers' intuition in order to identify, within the company as well as in the job market, those persons that possess the necessary skills or the potential for acquiring such skills. Selection processes are basically projections of assumed abilities and potentials. A variety of procedures and tools (hearings, assessments, e.g. consisting of simulations of the corporate reality and the mastery thereof, dealing with various difficult communication situations, self-presentations, various potential identification tools, etc.) are used to refine and increase the accuracy of the prediction. If the position is filled internally, mutual experiences have already been made in most cases, and "cultural compatibility" has already been determined. This facilitates the assessment of the probability of success. However, checking the person's "fit"

may not get the proper attention due to this initial situation (“We have known X for a while now. So far, he/she has fulfilled the tasks to our complete satisfaction. He/she will quickly learn the ropes of the new assignment, too.”). When external hiring decisions are made, this situation is even more extreme. On the basis of one or more social situations (job interviews), information must be deduced to make predictions as to whether or not a particular applicant will be able to fully display and utilize his/her abilities and potential in the position in question and also with regard to the existing environment, general conditions, scope for decision-making, contradictions that have to be dealt with, and the particular communicative requirements. “Probationary periods,” which vary in definition and use, can expand this snap-shot by providing a “reality check.”

- The “long-awaited” new employee/executive is now finally on board, but the interest in continuing to look after his/her integration is usually already flagging. Many companies still use the “throw-them-in-at-the-deep-end” method for new additions to the company as the ultimate decision criterion to determine whether or not someone is a good fit. In part, this occurs as a result of ignorance or lack of interest regarding the importance of this first phase in the company. But also in part as a method in and of itself: “Only those who prove themselves here and stay on board anyway are really suitable and sufficiently self-motivated employees and executives for us.” In this phase, standards are developed and mutual assessments are formed and reinforced. The person’s suitability for the job is checked by both the employee and the organization: does the “newbie” meet our expectations? Does he/she substantially advance our goals or is the subconscious message “something must be done, but nothing must happen?”⁴ How could we wisely use and benefit from the potential we may have gained? Can I, as the new person, realize my own interests and aptitudes here? Will I and my abilities really be needed, appreciated, and utilized? Am I challenged and can my potential be fostered here?
- It is vital to take a much more careful and critical look at whether these key persons actually encounter the conditions that have persuaded them to join the company in the first place in order to avoid losing these employees, often recruited at enormous costs, after only a short time. The executives in charge of them play a very important role in making this first comparison (quite possibly aided by systems of integration support developed and provided by the HR department). Klaus Behnsen, director of the Academy for Leadership and Sales, illustrates: “It costs a company between 100,000 and 250,000 Deutsche Mark, depending on the hierarchical level, to hire a new executive and lose this person again within the course of the probationary period.”⁵ In addition, companies face pressure to increasingly adapt and expand their systems in terms of general working conditions such as working hours, compensation, cafeteria systems, and career and development prospects.
- If executives are primarily responsible for ensuring the sustainability and functional efficiency of their own department and, consequently, also for the motivation and performance of their

4 U. Lütgenbruch, *Kampf um Talente* (Munich: Gerling Akademie Verlag, 2001)

5 Ibid.

employees (“management as a service”⁶), it is imperative to continuously check whether the organizational requirements “match” the employees’ potentials, to use suitable communication and management tools, and to “create spaces” where this comparison can take place. This makes it possible to detect demotivation processes and changes in objectives and motives early on, to spot “gaps in qualifications” and initiate appropriate development measures, and to identify and promote unutilized potential. However, the development and implementation of training measures must take place quickly and precisely correspond to the demand. Moreover, these measures must be carried out closer to the workplace so that (young) potential can quickly be utilized and supported on an ongoing basis (“We don’t need the people for this job in one or even two years, we need them immediately.”).

A “New Deal” between companies and employees

A major reason for the “volatility of these knowledge workers” lies in the crumbling of the former “psychological contract”⁷ that has dominated the relationship between company and staff for decades. The promise “Give me your services and in return, I will give you appropriate pay, a secure job, and the prospect of making a career for yourself here and therefore a bit of home,” which has long been valid, can no longer be credibly fulfilled by any company in these times of constant reorganizations, mergers, divisions, management changes, and course corrections. Employees who inwardly trusted in this “agreement” (once with the company, always with the company) have almost inevitably suffered disappointment in recent years and, as a result, companies have increasingly been perceived as unfair, disloyal, and as having breached the contract. The type of employment that was associated with a high degree of job security in the past is being replaced by more and more flexible forms of employment, allowing employers to adapt time capacities to the highly fluctuating demand in the most synchronized way possible. The fact that the number of “standard employment relationships” is considerably declining clearly reflects this trend. While such full-time, permanent working relationships still applied to 83.4% of employees in 1970, the number dwindled to 68% in 1995.^{8 9 10} However, if more and more employees live with the constant uncertainty and fear of losing their job any day because of a sudden change in corporate strategy even though their job performance is very good, it should come as no surprise that many employees’ loyalty toward their company and their identification with it has weakened considerably.

The trend toward more differentiated forms of affiliation combined with a strong individualization of the

6 cf. R. Wimmer, “Die Zukunft von Führung: Brauchen wir noch Vorgesetzte im herkömmlichen Sinn?” *Organisationsentwicklung* 3 (1996): 46-57

7 The term “psychological contract” presumably goes back to the 20s of the last century (mentioned by E. Winning, “Pay for Performance and the Psychological Contract” (2001)) and does not refer to a written contract but rather to mutually existing internal expectations within the employer-employee relationship.

8 R. Wimmer, “Die Zukunft von Organisation und Beschäftigung: Einige Thesen zum aktuellen Strukturwandel von Wirtschaft und Gesellschaft,” in *Organisationsentwicklung* 3 (1999)

9 J. Reske, “Zukünftige Arbeitswelten: Gesellschaftliche und unternehmensbezogene Dimensionen zukünftiger Arbeit,” *Research, Society, and Technology* (FT 4/G), May 1998

10 G. Vater, W. Kötter, “Von der definierten Laufbahn zum individuell gestalteten Karrieremuster,” in E. Krainz, R. Simsa (eds.), *Die Zukunft kommt, wohin geht die Wirtschaft* (Gabler Verlag, 1998)

respective working relationship clearly puts the long-standing rules between person and organization in question. If previous considerations such as security, long-term company affiliation, etc. can no longer be guaranteed, but the employees' loyalty to and identification with the company are still important factors (the employees should become more flexible, think entrepreneurially, take responsibility for their actions, but still be loyal to the company), then what can companies promise instead that not only can be plausibly achieved but also holds a similar appeal for the employees? A redefinition of the "psychological contract" is needed along with a new type of negotiation process that places great demands on both sides, the executive in charge and the employee.

Here, the "performance review as a management tool"¹¹ can serve as the place where the interconnection between the company, the executive, and the employee can be examined at regular intervals. This involves comparing the level of goal achievement in the previous period, assessing the employee's abilities and potential, analyzing the mutual cooperation, and agreeing on goals for the next period along with supportive development measures.

These topics alone clearly show that the performance review places high communicative demands on both sides, but particularly the executive. Listening, inquiring, remaining open even if irritating responses emerge during leadership feedback, providing feedback, voicing necessary criticism without shutting down the lines of communication (showing appreciation for the person, expressing the issue clearly and precisely), communicating about the sensitive issues of abilities and potential (being able to name and describe things we normally associate with our "intuition" and therefore with non-verbalizable things), and negotiating the objectives for the next period.

Keyword: employability. Today, it is all about employability, not job security. Individual employees see themselves confronted with the need to personally secure their own marketability by means of "updating their skills portfolio" while companies assume the task and responsibility of optimally supporting the employees in their endeavor to become and remain marketable. This is to help assure the necessary identification and commitment of the employees while they work for the company and to signal to both inside and outside: "We support our people, also and especially in case we might someday have to let them go. By assisting them in the advancement of their skills and hence in their employability, we ensure that if we are no longer able to provide them with adequate employment, at least they will be able to get adequate jobs at other companies." While being a general issue for companies, this must be seen in a more differentiated light when it comes to sought-after top performers and top talents. Particularly in this target group, flexibility and mobility are already extremely high today, loyalty to the company, on the other hand, is potentially less strong. Employability is not an issue for this group, which is why it is precisely these top performers and top talents who leave most quickly in the course of restructuring or reorganization. This group asks itself above all: do I have the challenges here, the creative leeway, and development opportunities that I am looking for, or is the grass greener somewhere else? Consequently, companies face the challenge of creating working conditions that are flexible and attractive enough so that scarce key personnel can be retained and new

¹¹ R. Nagel, M. Oswald, R. Wimmer, Das Mitarbeitergespräch als Führungsinstrument (Klett Cotta, 2001)

key personnel can be attracted. After all, what good is the most magnificent strategy if the company lacks the people and the knowledge to implement it?

Split job markets

In particular, the simultaneity of painful bottlenecks in certain areas of qualifications (which only in very rare cases can be rectified with short-term training measures) and the massive oversupply in other areas causes opportunities on the job market to drift further apart. Dealing with this dilemma of bottlenecks and the simultaneous oversupply – because it cannot be resolved – has meanwhile become a daily routine for many executives and human resources departments. The managing of teams consisting of employees with different types of employment contracts and different forms of commitment faces a similar challenge: some perhaps are part of the permanent staff and are well paid, others might be contract workers who carry out the same job but at worse conditions, others still might be temporary workers.

Since the mid-80s, the phenomenon of these different forms of affiliation with organizations has been addressed by various authors from a variety of perspectives. British management instructor Charles Handy was one of the first and hence was perceived as either a mastermind or as irritating and sometimes skeptically labeled as a “gloomster.”¹² With regard to the future composition of workforces, he refers to a three-leaf clover: a “professional core,” consisting of experts, technologists, and managers whose skills represent the company’s core competencies. The second leaf stands for external contractual partners who provide services that, previously, had been rendered by customer services and the administration departments. They are paid based on results, not based on time. The “contingent workers” (temporary workers and part-time workers) represent the reserve capacity and are employed whenever needed. Almost one and a half decades later, Thomas Sattelberger¹³ speaks of a “flexible or fluid workforce” or the “mercenary army,” a conceptuality that couldn’t be more saturated with coldness and functionality.

The continuous further development and differentiation of the perception of this problem area as well as its social relevance give an idea of its importance in terms of companies’ sustainability and survival as well as the urgency of a professional approach.

With reference to J. Reske, Rudi Wimmer distinguishes four groups of employees whose primary criterion for differentiation is essentially the negotiating power these service providers possess over the potential acceptors (companies).

- A new elite of knowledge workers: this includes many self-employed people such as experts and executives who enjoy a high degree of autonomy within the enterprise due to their expertise.
- The core staffs of organizations, found at important crosspoints within the organization where

¹² Charles Handy, *Im Bauch der Organisation* (Frankfurt a.M.: Campus Verlag, 1993)

¹³ Thomas Sattelberger, *Wissenskapitalisten oder Söldner: Personalarbeit in Unternehmensnetzwerken des 21. Jahrhunderts* (Gabler Verlag, 1999)

very specific practical knowledge is required and continuity is particularly relevant.

- The job nomads: this refers to all forms of contract work, temporary employment, seasonal workers, etc. The issue of a “war for talents” is more likely to arise here; potential employees present or have to present themselves to organizations in a way that makes them appear as attractive and versatile as possible.
- The unemployed: there will be a recurring back-and-forth between the job nomads and the unemployed. “The current momentum of our economic system unmistakably shows a tendency to systematically exclude all those persons from paid employments whose performance is not, is not yet, or is no longer assured.”

What can companies offer nowadays?

If the promise of permanent affiliation, security, and predictable career paths ceases to exist because all this is no longer feasible in these turbulent environments while, at the same time, organizations are becoming increasingly dependent on – at least a part of – their human resources, what can companies offer their key personnel that would still be attractive to them? Or, to pose the question another way: what are the things that can attract and retain top performers (experts and executives)?

- Money? Pay needs to be appropriate, of course, but studies have shown again and again that for executives and specialists who have already proven their abilities, money is not the key factor. Specialists compare themselves with their peers across company boundaries whereas executives tend to be more interested in the internal rankings.
- Challenges? The factor top candidates carefully examine first is the leeway associated with the offered assignment and the corresponding responsibility. They want to know whether the decision-making leeway and creative leeway is more generous than that of their prior position. The observed high level of self-reliance of the employees, the open and peer group-like atmosphere, the opportunity to be able to help shape the implementation of a great business idea and be part of the success makes for the widespread high level of appeal of startups in the job market.
- Prospects? High performers and junior staff want to prove themselves, test and expand their own abilities and potential, sound out limits, and experience personal growth from difficult tasks. The trust placed in them as well as the “experimental freedom” given at times strengthen their self-esteem and mobilize additional commitment. They want to “get ahead” and further improve themselves.
- The company image? Almost as important as personal leeway and challenges are the perceived image, quality, and vision of the employer. Are the company’s goals, concerns, and values compatible with my own? Do they reinforce my own interests, aims, and standards? Issues of strategy, market position, reputation, and corporate culture are therefore very important in terms of a company’s attractiveness and employee commitment and must not to be underestimated.

The aspect of the deeper purpose behind a company and its strategy plays a significant role in the decision whether one can – and wants to – support, endorse, and perhaps jointly advance the overall concept and philosophy of the company.¹⁴

- General conditions? What good are challenging tasks if the concrete working conditions quickly put a damper on the initial momentum? Under the headline “Schlummernde Potentiale wecken” (Awakening slumbering potentials), the Süddeutsche Zeitung featured the following commentary by Hamburg education advisor E.B. Freise in a June 1999 management column: “We would gladly accomplish considerably more if we were permitted to work under conditions that do not depreciate or suppress our abilities.”
- (tenor of answers to an opinion poll of 10,000 employees in the USA, see reference 4) The more inflexible companies are in their systems, be it in terms of regulations on working hours, in terms of pay, or with regard to development opportunities, the more unattractive they become for top executives.
- The manager-employee relationship? The working atmosphere, the opportunity to truly and meaningfully contribute to the company’s success and to accomplish one’s own goals, to be able to act on one’s own authority in line with the agreed general conditions, to be included in important decisions, and not least, the quality of the manager-employee relationship are undoubtedly no longer just so-called “soft facts” but are usually already a deciding factor as to whether or not top players accept an offer to come on board or, if already part of the company, whether or not they identify with the assignment and/or the company to such extent that they enjoy their work, want to stay, and as a result, are to some degree resistant to attempts by headhunters or competitors to lure them away. Above all, this requires a very intensive form of contact and communication between top management and high performers or high-potential employees. Today more than ever, it is essential to continuously stay tuned to the people, to keep an eye on whether working conditions correspond to what was promised and agreed and whether or not that which is needed by the organization matches what the individual needs. This way, countermeasures can be carried out in time and migration tendencies can be prevented.

Invest and/or lose

The dilemma faced by many companies as a result of this was recently summarized by a board member at a retreat when he said: “The more we invest in our good employees and the better they become because of it, the higher the risk that they will be lured away and leave our company. But if we don’t, they will leave all the faster because they are dissatisfied. And if we set up programs early enough to have the necessary specialists and executives available when needed, such long-term personnel planning could turn out to be a costly squandering of resources due to corporate strategies that are changing at an ever faster pace. But if we don’t invest in them because of cost pressure, we will miss these people enormously in the event that this occurs. Then recruiting frenzies will be even

¹⁴ Arie Gues, *Jenseits der Ökonomie: Die Verantwortung der Unternehmen* (Klett Cotta: 1998)

more necessary to acquire the employees we need at immense costs – if we even succeed.”

Example: ERSTE Bank

Erste Bank has shown an incredible growth rate in recent years. As early as the merger with what was then Giro Credit, the question became acute: who are our top performers and where are the slumbering potentials for the future that can be fostered and advanced? In the course of the takeover of banks in the Czech Republic, Slovakia, and Croatia, these questions grew by international proportions.

According to Ursula Kuntner-Schweickhardt, Director of Human Resources Development at Erste Bank, even though the topic “war for talents” was never explicitly vocalized, the changes in the job market are nevertheless reflected in various aspects of human resources management:

- Especially needed in the course of the consolidation were integration managers and specialists on certain subjects such as treasury, investment banking, or in the area of project management. For certain positions and key qualifications, the future need was known thanks to strategic planning, and preparations in the form of special training programs started early on, in advance so to speak. In those cases in which such lead times were not possible due to the incredible growth dynamics and increasingly swift decisions by top management and where headhunting contracts did not produce the desired success either, the company began training specialists with good basic abilities more or less in parallel and “on the job” to acquire the skills for new special tasks, and ongoing support was provided throughout the process.
- While human resources marketing for junior staff is still strongly shaped by the participation in higher education fairs and by cooperation with certain universities and institutes - primarily to acquire junior staff early on for the subsidiaries in the East and to foster their commitment to the company - the company’s positive public portrayal in the media was indeed helpful in changing the corporate image, away from a rather traditional, bourgeois savings bank to a dynamic and successfully expanding large bank in Central Europe which offers many career opportunities.
- Though the methods and approaches in the search and selection processes have not really changed much in recent years, a distinct change has taken place regarding the skills that are in demand. Today, employees are viewed through a different “pair of glasses,” so to speak. As early as the initial potential identification carried out by the executive during the performance review and also later in various ACs and development programs, competencies and competency bundles come into view that are quite different from those of the past. Parallel to that, the focus of internal education and training shifted in regard to the question of which internal key qualifications should be further strengthened and developed toward a clear focus on social skills, which reflects the changed requirements for management and the structuring of change processes.
- The implementation of “mentors,” just now started, is to support and speed up the integration of the new employees on whom the bank’s hopes are pinned, not least because the experiences of the first few months will decide whether they grow into the company or bail out after typically 1.5 to 2 years.

- As of recently, the job market within the company now offers each employee the opportunity to anonymously list themselves on the web with a description of their competencies and expectations. In a reversal of previous conventions, executives can now “submit an application” to this employee, in the sense of “I would be interested in you.”
- The employee then has the option of speaking with managers that are of interest to him/her. The purpose from the company’s view is to, if possible, retain the employees in the company and prevent migration tendencies.

As emphasized by Ursula Kuntner-Schweickhardt, Director of Human Resources Development at Erste Bank, the most effective method to counteract the manifold headhunting attempts “is the endeavor to be as interesting as possible as an employer by pushing a corporate culture in which factors such as generous scope for design, autonomy, trust, and innovation are both demanded and fostered. The only true protection against losing top performers is when they enjoy working at the company and when they see better opportunities here than with the competition.”

Creating such basic conditions within the company is a difficult change process, primarily for companies that come from a different management culture. For example, a big savings bank primarily active in the retail business attaches great importance to standardized processes and the adherence to centrally prescribed rules and objectives. The new strategy of entrepreneurial initiative and personal responsibility entails a far-reaching about-face in the structuring of daily manager-employee relationships. In a time of transition, careful attention must be paid to preventing executives from slipping into a credibility crisis and new employees being promised something they won’t be able to experience in day-to-day life.