

Shifts in the Talent Landscape

WHITE PAPER

8 trends that are changing staffing and 12 ways companies are responding

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The most critical decision a company ever makes about its employees is the decision to hire them. The outcome of all strategic initiatives ultimately depends on having people who can do the actual work. Virtually every success or failure in a company can be traced back to initial staffing decisions. Despite the importance of getting the right people in the right jobs, many companies devote relatively few resources toward maximizing the accuracy and efficiency of hiring decisions. However the days where companies can get away with ineffectual staffing are rapidly disappearing due to several large scale changes in the nature of the workforce. Companies must adapt their staffing methods to meet these changes if they are to survive in a world where success will increasingly depend less on what companies do, and more on whether they have the people to do it. This paper provides an overview of these fundamental changes and how companies are restructuring their staffing processes to address, and in many cases profit from them.

US companies have historically been able to get away with using sub-optimal staffing methods due to a variety of reasons. Employees hired into the wrong job often show amazing ingenuity at learning critical skills "on the fly" after they are hired. The strength of the US economic infrastructure has probably

allowed many US companies to succeed despite a high level of inefficiency in

How sophisticated is your staffing department?

Staffing departments are often much less sophisticated than other business functions. Consider how departments in your organization would answer the following question: "what metrics and processes do you use to forecast, guide and measure organizational performance?" The answers provided by staffing tend to include fewer metrics, and the metrics they use are often highly subjective or focus more on administrative efficiency than effectiveness (e.g., tracking how long it takes to hire someone instead of measuring their value and performance after they are hired). Staffing processes are often much less sophisticated than the processes used by other support functions, such as supply chain or finance, that focus on ensuring that companies have the resources they need when they need them. Many company's staffing processes largely amount to long lists of un-integrated activities, surveys and tools loosely linked by a common focus on the attraction and selection of talent.

To be fair, many companies have been unwilling to invest the resources needed to create sophisticated staffing functions. In addition, many of the things such as "candidate potential" that drive staffing performance are difficult to define and measure. Creating effective metrics to measure and predict employee performance is one of the most significant challenges facing staffing organizations. However such measures do exist and are being successfully used by a variety of companies (see the book "Human Resource Selection" by Robert Gatewood and Hubert Field for a thorough discussion of many of these techniques).

their use of human resources. There has been enough available talent for companies to get away with using "trial



and error" staffing approaches where they basically hire and fire people until they finally find the right person.

However several fundamental changes are occurring in the world of work that are increasing the importance of using optimally effective staffing methods.

The US workforce is undergoing several large scale changes on a level that has probably not been seen since the advent of the post World War II economy. Massive shifts are occurring in the size, age, diversity and education of the workforce. Internet technology now allows candidates to quickly apply to thousands of job openings around the world regardless of their geographic location. Corporations are drawing on talent sources from locations throughout the globe and greatly increasing the competition for skilled labor. Flexible work relationships that were almost unheard of a decade ago are now becoming commonplace. As an industrial-organizational psychologist working for a company that has assessed over 25 million applicants, I have seen many of these changes firsthand. As a consultant, I have had the privilege to work with dozens of national and multi-national organizations as they wrestle to adapt to large scale demographic, economic, and technological trends that are transforming the global workforce. This paper provides an integrated view of these trends and describes strategic initiatives that companies have effectively deployed to capitalize on these changes as opportunities rather than threats. Taken together, the 8 trends and 12 initiatives described in this paper reflect key issues that all leaders should consider when developing future workforce planning, acquisition and development strategies.

Eight Trends Changing the World of Staffing

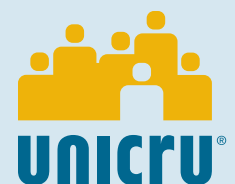
The following eight trends will have a massive impact on staffing practices over the coming decade:

1. Workplace Polarization into Skilled vs. Unskilled Jobs
2. Scarcity of Skilled Labor
3. Workforce Aging
4. Geographically Distributed Workforces
5. Increasing Employee Turnover
6. Shifting Employee Attitudes
7. Fluid Organizations
8. Internet Staffing

These trends reflect changes that in many cases have already occurred and that are virtually certain to continue based on a variety of data. Each trend would substantially change staffing practices in the US if it occurred in isolation, but when considered as a whole the impact of these trends on future staffing methods will be monumental.

Trend #1 - Workplace Polarization into Skilled vs. Unskilled Jobs

Over the last 30 years there has been an increasing split in the US economy between skilled and unskilled jobs. Skilled jobs require higher levels of reasoning ability coupled with specialized knowledge and skills acquired through previous education or work experience. Unskilled jobs require little to no prior knowledge or experience, and depend primarily on general work behaviors such as attendance, compliance, and getting along with others. There are and will continue to be far more unskilled jobs in the US economy than skilled jobs. However most of the



relative job growth over the coming decade will come from skilled jobs. In addition, the difference between skilled and unskilled jobs is growing larger as skilled jobs become increasingly demanding and complex while unskilled jobs become more and more simplified.

The growing divide between skilled and unskilled jobs is primarily a result of technology. The use of technology tends to have three general effects on jobs:

1. It increases productivity by automating many of the repetitive tasks associated with semi-skilled and unskilled work. This often results in either eliminating semi-skilled and unskilled jobs altogether.
2. It turns semi-skilled job into unskilled jobs by automating many of the moderately complex tasks associated with semi-skilled work. These new unskilled jobs are less valuable as a source of development opportunities because they do not require employees to perform tasks where they can develop skills and capabilities associated with semi-skilled work.
3. It increases the complexity of existing skilled jobs and creates new skilled positions. This occurs because people must learn to operate the technology used for the automation. Employees may also be required to utilize more complex information that is often generated by new technologies.

As technology continues to be used to automate job tasks, the future economy will become increasingly divided into two almost entirely separate labor markets: the labor market for skilled jobs

and the labor market for unskilled jobs. Each labor market will have its own unique set of challenges and will require different staffing techniques and methods. Organizations employing skilled and unskilled labor will need to understand the strategic and tactical issues affecting two almost entirely different staffing environments.

The growing difference between skilled and unskilled jobs in the grocery industry

Skilled and unskilled jobs have historically been distinguished more by a matter of degree than a categorical difference. It was once common for people to start working at a company in an entry-level, unskilled job and then "work their way up" to increasingly skilled positions. However, the difference between skilled and unskilled jobs is becoming so great that this traditional on-the-job approach to career development is often no longer feasible. Consider the example of grocery jobs. In the past, a person might start as a cashier and use this work to develop their basic math and accounting skills so that they could eventually perform the more complex financial tasks done by store managers. However most grocery stores have now automated the purchasing process to the point that cashiers can perform their job with little actual use of math. As a result, cashiers are no longer provided with the opportunity to develop the basic financial skills needed to move into a store manager position.

While automation has made cashier jobs far simpler now than they were in the past, it has also increased the complexity of store manager jobs. Store managers must have some understanding of how the automation within their stores work, and are expected to use increasingly sophisticated data generated by in-store purchasing systems to manage store operations. While in years past cashier jobs and store manager jobs shared many similarities, they are now associated with much different types of tasks. As a result, years of experience as a cashier have much less value for preparing one for the demands of being a store manager than they once did in the past.

Staffing leaders may also be challenged to find ways to help employees transition across the increasingly large gap between unskilled and skilled positions within the organization.



Trend #2 - Scarcity of Skilled Labor

The US workforce is one of the most well educated in the world. Unfortunately trends suggest that it will not stay that way. Although education level is the single largest factor associated with increased wages in the US, many people in the US appear to be either unable or unwilling to devote resources towards greater education. Functional illiteracy levels among US adults have remained relatively unchanged, between 5% and 10%, for over a decade. For the past several years, children in the US have consistently achieved math scores that place them below the midpoint compared with children from other countries with similar levels of economic development. While the number of college educated workers increased from approximately 40% to 60% over the past 20 years, it is not expected to increase much further in the future¹. Moreover, much of the advanced education pursued by US workers is limited to two-year degrees, as opposed to more advanced four-year degrees. This pattern of declining education continues at the highest levels. For example, in recent years roughly 25% of the physical science PhDs granted in the US have been given to non-resident aliens².

A variety of reasons have been suggested for the failure of US employees to embrace higher education. These reasons are far reaching and often somewhat intractable, including things such as inadequate educational preparation in primary schools, a societal culture that undervalues knowledge and learning, and a shift in the workforce toward demographic groups that have traditionally received less education. Whatever the reasons, what seems clear is that education levels in the US workforce are unlikely to keep pace with the increasing number and com-

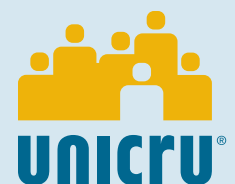
plexity of skilled jobs in the US economy. It is very likely that the US labor market will soon experience a major shortage of skilled labor. In fact, this shortage is already occurring for many skilled jobs such as nurses and pharmacists.

Trend #3 - Workforce Aging

It is widely recognized that the US population and its workforce are growing steadily older. However many people do not realize how much older we are getting. During the 35 years prior to 1970 the median age of the US population increased by approximately 2 weeks per year. Over the past 35 years the median age of the US population has increased by roughly 3 months per year³. In other words, since 1970 the US population has been aging at a rate 600% faster than the rate during the 35 years prior to 1970. This acceleration in age is due to two simple facts: we are living longer and we are having far fewer children.

The aging of the US population is going to create labor shortages. While factors such as potentially slower economic growth, offshore employment, and later retirement ages could offset the depth of these shortages it is unrealistic to think they will completely nullify them. Problems associated with an aging workforce are likely to be even worse in many countries in Europe and Asia where the birth rate is much lower than in the US. The increased age of the workforce will also significantly impact the kinds of candidates available to staff future jobs. People change as they get older and these changes will lead to fundamental shifts in workforce capabilities. While future staffing strategies will undoubtedly include finding ways to keep older workers in the job market longer, they will also need to pay careful attention to the unique nature of the interests, motives,

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abilities and constraints frequently found in older workers.

Trend #4 - Geographically Distributed Workforces

Organizations have historically co-located labor near production resources to keep transportation costs low. Companies also placed importance on co-locating employees near customers so they could frequently communicate with one another. However, the advent of a more knowledge-based economy coupled with increasingly advanced information technology has relaxed the importance of placing employees in certain specific geographical locations. These changes have allowed much greater use of distributed workforces within the United States, as well as "offshoring" jobs to other countries such as India or Mexico.

Several factors will continue to accelerate the use of geographically distributed workforces. Foremost is the availability of relatively inexpensive labor in other countries, as well as disproportionate workforce growth patterns within the United States.

Approximately 45% of the US population growth over the coming decades will come from three states: California, Texas and Florida⁴. This trend will force greater use of staffing strategies that consider talent sources at a national or global level, rather than focusing on only hiring people from certain specific geographical regions. Staffing departments may also face increased risks from companies in other countries "poaching" skilled talent from US organizations. The population of Japan and most European nations is shrinking in size relative to the US population. In addition, a variety of economic trends suggest that the value of the US dollar may steadily decrease on the world market over the coming years which may drive US wages down rela

What does it mean to be old?

Although we may deny it, we change as we get older. Some of these changes are likely to be considered strengths, while others are constraints. The following are some common characteristics that often typify older workers. These are examples of things that need to be considered when designing staffing strategies that seek to make greater use of older workers:

- **Decreased tolerance for certain kinds of work.** *Many older workers, particularly those who possess highly valuable skills, are likely to be in a financial position where they can exhibit considerable personal choice over how they want to spend their time. Such employees are likely to demand work schedules and assignments that fit their interests even if they do not fully align with the company's needs. In essence, many highly skilled older workers work because they want to, not because they have to.*
- **Greater experiential knowledge.** *Older workers often possess a wealth of knowledge and expertise about certain work related topics. This knowledge is likely to be particularly useful when associated with tasks and activities that are relatively stable over time, and that are not radically impacted by changes in technology or the broader economic landscape.*
- **Difficulty rapidly learning new types of knowledge.** *The advantage of growing older is that we accumulate increasing amounts of knowledge that we can draw on to solve problems. The disadvantage is that we tend to become less efficient at learning highly novel or unfamiliar things. Take the example of learning a foreign language. Children are highly adept at learning new languages. However people who did not learn multiple languages early in life typically find it very difficult to learn a new language when they are old. In sum, older workers tend to know more so there is less they need to learn, however when they do need to learn something it may require more time and effort than would be needed for a younger worker.*
- **Health Issues.** *As people grow older they become susceptible to certain health risks. Health issues are likely to play a greater role when designing jobs to be staffed by older workers.*

These reflect some of the large scale differences that should be considered by staffing organizations whose applicant populations contain a high number of older workers. On the other hand, it should be emphasized that young and old workers are more similar than different. Regardless of age, most people want the same general things from work: challenge, opportunity, respect, and work-life balance.



tive to wages in other countries. This trend in wages, coupled with the acceptance of distributed workforces, could result in US employees with highly sought after skills being able to make more money working for a non-US corporation without having to leave the United States. This could result in foreign companies aggressively sourcing skilled talent from within the US workforce.

Trend #5 - Increasing Employee Turnover

The growing shortage of skilled labor and increasing use of distributed workforces that allow people to join new organizations without changing geographic locations will invariably lead to greater levels of turnover among skilled employees. A recent study found that more than 8 out of 10 employees plan to look for new jobs when the economy improves⁵. The readiness of employees to leave employers to pursue opportunities elsewhere also reflects a steady shift in employee-employer relationships that can be traced back to the extensive organizational downsizing that occurred in the 1980's and 90's. Wave after wave of layoffs has left employees with little sense of commitment to remain with companies for more than 2 to 3 years. Conversely, organizations are now much more tolerant toward candidates who have a history of job hopping. Some organizations even look unfavorably on applicants who have spent "too many" years with one company.

Increasing levels of employee turnover will require staffing departments to develop methods to ensure that employees brought into the organization remain with the company long enough to justify the costs associated with recruiting and hiring them. It is very costly to pay a premium price to hire and train a skilled employee only to have them leave to join another company. Future staffing efforts must

emphasize hiring employees who not only have the necessary skills and qualifications to perform the job, but who also exhibit a high level of general fit with the organization. Staffing process must extend months or years past the initial hiring decision and follow employees to the point where they are fully-socialized and committed to the organization.

Trend #6 - Shifting Employee Attitudes

People often comment on the shifting attitudes of different generations. It is often difficult to determine if these shifts in attitudes are due to generations being fundamentally different from one another, or if they largely reflect differences in age. Nevertheless, there are some noticeable trends in the work attitudes found in younger employees, particularly among skilled workers. Foremost is an increased emphasis on having jobs that provide freedom and flexibility to pursue interests outside of work. In a recent study of college students, flexible hours were identified as the single most desirable benefit, followed in distant second by a desire for more vacation time⁶. Simply put, members of younger generations appear to be less willing to devote their lives to work. If staffing strategies are to effectively attract and retain these younger skilled workers they must take into account their general attitudes toward work. Companies should not assume that applicants will value job opportunities above all else in their lives. Jobs must be designed so that employees do not feel that they have to sacrifice their lives outside of work in order to fulfill their job responsibilities.

Trend #7 - Fluid Organizations

The last 20 years have seen unprecedented levels of organizational restructuring, mergers and acquisitions, divestitures, and re-engineering. Job tasks and responsibilities often evolve with alarming speed due to rapid technolog-

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ical changes and frequent shifts in organizational structures and responsibilities. The job requirements used to staff a position one year may bear little resemblance to the requirements used to staff the same position five years later. Given the increasing rate of organizational change, long range staffing strategies and methods should not assume that positions within an organization will remain fixed over time. Recruiting tactics and succession plans built around specific jobs run the risk of quickly losing their relevance when the jobs they are designed to fill suddenly cease to exist due to an organization restructuring or acquisition. Staffing selection tools must be able to adapt and morph over time to reflect shifts in the nature of the jobs they are designed to support.

Trend #8 - Internet Staffing Technology

Internet staffing has gone from a future vision to the standard way of doing business in less than a decade. In 1996 the internet was largely viewed as a recruitment novelty for staffing highly specialized positions. It is now the dominant method used to source candidates for skilled positions. Virtually all large organizations use the internet as a critical channel to attract and identify candidates. The web is also one of the primary tools used by skilled professionals to find job opportunities.

Although internet staffing technology is widespread, the field is still in its infancy in terms of methods and techniques. There are enormous differences in the sophistication and effectiveness of internet staffing methods currently in use. However some clear trends are emerging regarding "necessary practices" for any fully functional internet staffing system. These include the use of sophisticated staffing assessment tools to evaluate candidates, engaging

career sites that both recruit and screen applicants based on job and organizational fit, integrated applicant tracking and candidate management tools for

The future of staffing and the Y2K paradox

The 8 trends described in this paper are based on considerable data and will undoubtedly continue to change staffing over the coming years. However, the ultimate direction and impact of these trends will depend largely on things that have yet to happen. If the last 20 years teaches us anything, it should be that technological breakthroughs and large scale economic changes can quickly change our lives in ways at which we cannot currently even guess. In addition, because staffing is fundamentally about the actions and behaviors of people, it is a field that is inherently difficult to predict. Any predictions that involve people are fundamentally at risk since how people behave today is not necessarily how they will behave tomorrow. Moreover, the main reasons people change their behavior is to cause or prevent things from happening in the future.

The Y2K movement in the information technology industry during the late 1990's illustrated the sort of dilemma that staffing professionals currently face as they prepare for the future talent landscape. All IT professionals acknowledged that Y2K would arrive on Jan 1, 2000, and most agreed that it could potentially mess up computer programs that did not take into account how the turn of the century would affect data fields containing the date. However there was considerable disagreement around the overall impact of Y2K. Some people argued that Y2K would have little effect, while others said it would lead to widespread pandemonium and the fall of the global economy. Millions of dollars were spent on Y2K out of fear of what "might" happen. In the end the Y2K problems turned out to have minimal impact on computer systems. However we will never know if this was because we fixed the problem before it occurred (i.e., the money spent on Y2K was money well spent), or because the problem was never going to occur in the first place.

The same dilemma is now faced by organizations regarding staffing. The trends changing the field of staffing are real, although their impact is unclear. Whether these changes warrant action in the near term though depends on people's level of anxiety about what could happen. Unfortunately, unlike Y2K, there will not be a single date when we can tell whether this anxiety was warranted.

processing and communicating with large numbers of candidates, and advanced search engines that can identify high potential candidates from



thousands of possible applicants. Staffing organizations will have to avail themselves to all of these technologies to compete effectively in the future talent marketplace.

How companies are adapting to changes in the talent landscape

Most of the trends in the previous section are fairly well recognized and largely reflect things that have already started to happen. However, there is much less clarity around how these changes will impact staffing over the long term, particularly when one considers the potential interactions between different trends. Will decreases in the US workforce caused by the aging population be offset by increased use of part-time and flexible work relationships? Will the availability of internet staffing practices and growing access to offshore talent allow companies to overcome challenges caused by the increasing shortage of highly skilled labor within the US? Addressing and understanding these sorts of complex questions is critical to creating workforce acquisition and development strategies that can effectively weather the coming shifts in the talent landscape.

It is folly to make precise, long-range predictions about things as complex as labor markets. However, it is possible to plan for the broad shifts that are going to occur at a general level. The first step is to make sure that your organization treats staffing as a critical organizational function. Staffing should not be given to HR generalists as something done "in addition" to other HR duties. Staffing functions should be led and performed by dedicated staffing professionals who understand the intricacies of sourcing, selecting, and retaining talent. Listed below are several key initiatives that

should be supported by any large staffing organization. All of these initiatives reflect things that innovative staffing organizations are already doing. Companies that effectively deploy these initiatives will have a significant advantage managing and capitalizing on the large scale changes that are transforming the nature and content of the workforce. Because these initiatives address broad changes that in many cases have already begun to transform the workforce, they also provide a variety of more immediate short-range returns.

Attracting Talent

- Be a Great Place to Work
- Flexible Work Arrangements
- Virtual Workspaces
- Employer Branding

Identifying & Selecting Talent

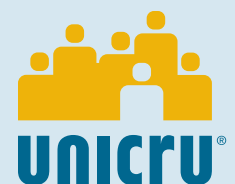
- Building Talent Pools
- Scientific Assessment
- High Touch Recruitment
- Competency Based Select

Retaining & Developing Talent

- Hiring for the Organization
- Staffing Based on Potential
- Broad Band Succession Planning
- Workforce Analytics

The initiatives have been grouped based on whether they primarily impact talent attraction, selection, or retention. Although each initiative will be discussed individually, it is critical that the initiatives not be approached as a "laundry list" of different staffing actions. In practice, each initiative is interdependent on the others. For example, whether applicants consider a company to be a great place to work depends largely on the methods the company uses to retain and develop its internal talent. Similarly, the methods a company uses to select external talent should align and support strategies used for inter-

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nal succession planning. To be truly effective these initiatives must be deployed as parts of an integrated talent management process that starts with initial sourcing of external candidates and continues on past the hiring decision through the entire development lifecycle of employees after they join the company. This process should emphasize that staffing is not simply about hiring, but is a comprehensive process for supplying talent so companies always have the right people in the right place at the right time.

Attracting Talent

The first step toward building a high-performing workforce is ensuring a steady supply of high-potential applicants. As talent becomes increasingly scarce, companies will find it more and more difficult to source adequate numbers of qualified candidates. This is particularly true for highly-skilled applicants who are likely to be employed already and who may be highly sought after by multiple employers. Companies cannot simply post job openings in the newspaper or on the web and expect top candidates to apply. Staffing organizations must take specific steps to garner the attention and interest of top candidates.

Advertising the company's job openings is not nearly enough. Staffing departments must let candidates know that the company offers the sorts of opportunities they want from a job. At minimum, this will require effective deployment of the following four initiatives:

Be a Great Place to Work. Companies that place a high priority on the needs of their workforce have an easier time attracting and retaining employees. Staffing organizations must implement targeted data collection methods to find out what things appeal most to the

talent they need, and then aggressively implement and enforce practices to ensure these things are supported throughout the organization. This requires working with line leaders and employees to determine what employees want from work and finding ways to provide these in a financially profitable manner. Although staffing departments can help with becoming a great place to work, ultimate responsibility for the success of this initiative falls squarely on line leadership. Saying that job satisfaction and retention are the responsibility of staffing makes as much sense as saying that profitability is the responsibility of the finance department. Becoming a great place to work can and should be influenced by staffing practices, but it is ultimately obtained and maintained through effective operational leadership. Companies that fail to recognize this will soon find themselves in the unenviable position of only being able to attract and retain the employees that no one else wants.

Flexible Work Arrangements. The era of the 9 to 5 day at the office is coming to a close. Concepts such as flexible work schedules, telecommuting, and job sharing that were considered innovative and risky 10 years ago are now commonplace in forward thinking organizations. Providing employees with flexibility around when, where, and how long they work will be key to attracting scarce labor resources. Whether highly-skilled workers accept job offers will increasingly depend on whether the jobs are convenient and supportive of their lifestyle. This requires moving away from the traditional model of finding candidates who conform to the requirements of the job, and instead looking for ways to structure jobs to meet the requirements of the candidates.

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Virtual Workspaces. Geographic location is often a major obstacle to finding skilled talent. Organizations that can remove the location requirement from their job postings will have an enormous advantage in the future talent wars. Enormous advances have been made in the development of technology and management practices for building virtual organizations. Companies must embrace the concept of virtual workspaces and provide managers and employees with the necessary training and technology needed to work with people anywhere in the world.

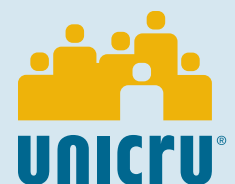
Employer Branding. Most companies have historically assumed that their general image in the community, the personal relationships of their employees, and the strength of their job offers will provide sufficient pull to generate the candidates they need to staff positions. Those days are gone. Companies that do not proactively build a positive employer brand among potential candidates will soon find themselves faced with time-to-hire dates that are measured in months instead of weeks. Ensuring a steady supply of qualified candidates requires coordinated marketing to enhance the company's image and reputation among target groups of potential applicants. It is not enough to be a great place to work, you have to make sure potential applicants know why your company is so great. Processes used to screen and select candidates must be designed so candidates find them positive, job relevant and engaging. All individuals involved in staffing, from recruiters through hiring managers, must be aware that the most important staffing decisions for highly-skilled positions are not always the ones made by hiring managers. Instead it may be the candidate's answer to the question "do I want to work for this company"?

Identifying and Selecting Talent

Companies filling skilled positions not only have to overcome the increasing shortage of skilled labor, but must also deal with increasing numbers of unskilled or otherwise unqualified applicants. It is not uncommon for companies to receive over 1000 applicants for a single position. The presence of so many under-qualified applicants significantly raises the risk of inadvertently hiring the wrong person. Companies cannot afford to hire employees who lack key capabilities given the time and resources associated with hiring talent, the increasing costs of labor, and the level of competition between companies. Conversely, the losses in revenue caused by overlooking or inappropriately eliminating good candidates are also substantial. Not only do companies fail to gain the value of these overlooked high-potential candidates, these candidates often end up working for a competitor. Companies must develop effective and efficient methods to sort through large numbers of unqualified applicants to identify, recruit and select those few high potential candidates who have the capabilities required by the position. The following initiatives represent some of the things companies are doing to make sure they can quickly find the best possible candidates for each open position in the organization

Scientific Assessment. A wealth of research indicates that scientifically designed staffing assessment tools predict candidate job performance at levels that are usually better than manual judgments made by recruiters or hiring managers. These tools include things such as personality questionnaires, ability tests, and interactive job simulations that have been rigorously designed and validated using sound scientific and statistical methods. Many scientific

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assessments can be administered and scored automatically using web-based technology. These tools provide considerable gains in staffing efficiency since they do not require the time needed by more traditional screening methods such as conducting interviews or manually reading resumes. Staffing organizations should develop strategies to guide the deployment of scientific assessments throughout the company in order to maximize the efficiency and effectiveness of candidate selection. Focus should initially be placed on using assessments to support hiring for positions that have the greatest impact on the overall performance of the company. These are typically positions with high staffing volumes (e.g., entry-level hourly jobs) or positions where variations in the performance of individual employees have a major impact on revenue (e.g., sales jobs, leadership positions). Assessments should eventually be deployed to support hiring for every position in the organization where performance is important. In other words, every position.

Talent Pools. One of the most effective ways to prepare for the upcoming talent shortage is to proactively build talent pools. Talent pools provide information about potential candidates that a company can readily access to support future staffing needs. Talent pools typically contain individuals who meet some general requirements in terms of work eligibility, background, capabilities, and/or career interests. Focused employer branding efforts can build and strengthen talent pools by encouraging individuals to take an active interest in possible career opportunities within the organization. At a minimum, an organization's talent pool should include existing employees who have the potential to be transferred

into other jobs within the company. Organizations should also encourage the use of employee referrals to identify talent pool members outside of the organization. Efforts should also be made to create talent pools in applicant

Booking airline passengers and recruiting candidates

The online processes airlines use to book passengers contain some lessons for how to potentially design online recruiting systems. In a process somewhat similar to employee branding, airlines conduct general marketing strategies to encourage potential passengers to visit their companies' reservation websites. These websites provide potential passengers with information and tools to determine if there are flights that fit their interests and needs. If desired, passengers can book and pay for flights entirely online. However, most airlines also provide a number that passengers can call if they have specific questions about flights and flight payments, or otherwise wish to receive more personalized attention. Airlines also have dedicated customer service agents who focus on providing personalized and prompt service to high potential "frequent flyers" who have been pre-qualified based on the likelihood that they will purchase expensive airline tickets.

The process used by airlines seeks to balance the use of automation and personalized service, using each where they are most effective. The online technology primarily supports the exchange of simple and straightforward flight and billing information. Personal contact is used to address topics that require more complex or customized support and to deliver a higher level of service to individuals who have been pre-qualified as high-potential customers. One can envision future recruiting methods modeled along similar lines. Applicants would not be looked at by recruiters unless they possessed some level of minimum qualifications. Instead of spending small amounts of time reviewing and talking with large groups of minimally qualified applicants, recruiters can focus on spending a lot of time with a much smaller group of pre-qualified, high potential candidates.

populations that are likely to be critical for long-term staffing strategies. For example, talent pools might be built to provide future candidates from certain demographic groups, educational backgrounds, schools, or geographic locations.



High Touch Recruitment. Most companies have already adopted some form of internet staffing technology because of its ability increase staffing efficiency and effectiveness. Unfortunately, this technology can also create a highly impersonal and unrewarding candidate experience which may alienate high-potential candidates. This problem is not inherent to the use of staffing technology, but merely reflects problems with the way companies are using it. There is a tendency to view technology as a way to remove people from the staffing process. However the purpose of staffing automation should not be to replace recruiters, but to free up recruiters to focus on the recruiting tasks they do best. This means automating tasks that recruiters do poorly such as evaluating candidates, processing administrative information, and redirecting recruiters' time into tasks that require a more "human touch" such as selling high potential candidates on the benefits of the organization. Although automation has and will continue to change the role that personal relationships play in the staffing process, it will never remove the importance of personal contact for building a candidate's sense of interest and comfort toward an organization. Staffing automation should be viewed largely as a tool used to concentrate this personal contact on those candidates where it will provide the greatest return on investment.

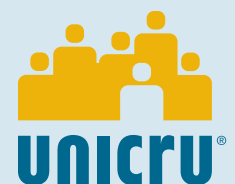
Competency Based Selection.

Organizations have traditionally evaluated job candidates based primarily on their technical knowledge, skills, and job experience. This approach emphasizes the specific things a candidate has done in the past, with relatively little emphasis placed on exploring how they did it or what they are likely to do in the future. While this approach does have some validity, it has two major limitations. First, it ignores the influence that the environment has on a per-

son's accomplishments. Virtually all work depends partially on things outside of the employee's control and only looking at past job titles and objectives provides little insight into what the employee actually did to achieve their success. For example, a sales person who barely achieves quota the first year after opening a new territory may be far more effective than a sales person who significantly exceeds quota after being given existing accounts in a strong, well established territory. Second, it tends to limit people's potential based on narrowly defined areas of technical expertise as opposed to more generalized capabilities. For example, a computer programmer with highly effective interpersonal skills might be well-suited for a leadership position in customer service, even though computer programming is not typically considered to be the kind of job where one develops customer service skills. By relying too much on past experience and knowledge, companies often hire people who have the technical skills traditionally associated with the job but who lack interpersonal or self-management skills that are critical for success. In addition, companies may overlook high-potential candidates who have the right personal capabilities but who don't "look good on paper".

The problems associated with basing selection solely on technical knowledge and experience led to a shift in the methods and language used to describe jobs that can be broadly captured under the term "competency modeling". A competency can be thought of as a group of behaviors that influence job relevant outcomes. "Negotiating", "building relationships", and "critical thinking" are all competencies that have been used to describe the behaviors that drive success in different kinds of jobs. Staffing processes that emphasize competencies in addition to technical knowledge and past job experience provide several key advantages that will be

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increasingly critical in the future labor market.

- Competency based selection methods tend to be more accurate. Staffing assessment tools do not directly predict job performance outcomes such as sales performance or attendance. What they predict are the behaviors or competencies that influence these outcomes. Consequently, closely aligning selection methods around competencies tends to increase their effectiveness.
- Competencies tend to be relevant across a wide range of jobs. For example, the competency "building relationships" influences success in a variety of jobs. Because competencies tend to cut across different kinds of jobs, staffing methods based on competencies can be used to support multiple types of positions.
- Competency based staffing methods can maintain their relevance even when specific job tasks and responsibilities change. Consider computer programming. While the relevance of knowledge about specific programming languages constantly changes, the importance of competencies such as "analytical thinking" and "attention to detail" tend to stay relatively constant. Competency based staffing tools can often adapt to changes in job design that would invalidate the relevance of staffing tools built around specific types of job experience or technical knowledge.
- Because competencies tend to apply across multiple jobs, having knowledge about an individual's competencies makes it possible to consider them for a wider range of

jobs in comparison to only having knowledge about their technical knowledge and past job experience. Consider the example of a computer programmer with strong interpersonal competencies. This person might never be considered for customer service positions based solely on the knowledge and experiences listed on their resume. However if the staffing department knows about the person's competencies then they can suggest career opportunities to candidates that lie outside of their core technical areas of expertise that they may have never considered.

Retaining and Developing Talent

The primary goal of staffing is not to hire people, it is to ensure that the organization has ready access to the talent needed to support its business strategies. To achieve this goal staffing must go beyond the hiring decision to address long-term employee retention and development. There are three primary reasons why employee retention and development should be included as an integral part of any company's staffing strategy. First, the main things high potential candidates seek in a job are opportunities to further grow and develop their careers. If staffing departments want to attract, recruit, and retain the best and brightest candidates they must understand and actively support internal employee development initiatives. This includes working closely with training and development professionals to ensure that the capabilities and interests of candidates align with the learning challenges and opportunities that they will encounter once on the job. Second, one of the most important sources of talent for any large organization is its internal employees. Staffing departments must look for ways to effectively incorporate and leverage potential

If staffing departments want to attract, recruit, and retain the best and brightest candidates they must understand and actively support internal employee development initiatives.



applicants who are already employed within the organization in a way that supports effective organizational growth. Third, if staffing departments are to effectively plan for future staffing needs they need to fully understand internal employee mobility and succession plans within the organization so they can appropriately back-fill positions in advance. The following initiatives describe several specific ways that staffing departments can effectively integrate hiring practices with other, longer term employee retention and development strategies.

Hiring for the organization

Employees in companies with strong cultures share common beliefs, values and norms that affect how decisions are made and how people treat one another. Strong corporate cultures that are well aligned with a company's business goals have been associated with greater employee commitment, faster decision making, improvements in stock prices, and greater percentages of market share. One of the keys to fostering a strong corporate culture is to hire employees whose motives and beliefs fit the opportunities and environment found within the organization. The following are a few of the positive outcomes that can result from focusing on organizational fit during the staffing process:

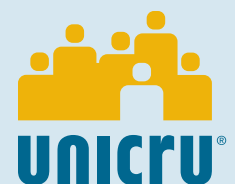
- Improved retention resulting from hiring people whose interests and preferences align with the general work climate found within the company.
- Better communication between employees who come from diverse national, geographic, and demographic backgrounds.
- Increased employee resilience to future job changes such as those caused by frequent organizational restructuring.

Each of these outcomes will take on increasing importance as the workforce becomes more competitive, global, and turbulent. More and more staffing departments are building tools into their staffing process that are designed specifically to recruit and assess candidates based on their fit with the prevailing corporate culture.

Selecting for Potential. One of the most commonly used techniques for developing leadership talent is to assign high-potential employees to jobs that require them to develop capabilities that they currently do not have. These employees are not chosen just based on what they know, but also on what they do not know and need to learn. This somewhat counterintuitive method to staffing can be thought of as selecting for potential. It involves placing people into jobs based on predictions of the capabilities they could develop in the future. As skilled labor becomes increasingly scarce, organizations will need to put more emphasis on selecting for potential. Selection processes will need to screen candidates based on abilities and talents that are difficult to develop, while simultaneously downplaying the importance of previous knowledge, skills, and experiences that can be taught or gained on the job. This requires using more sophisticated, scientifically designed assessments that can effectively measure candidates' underlying abilities, personality traits, and natural talents. Hiring managers will need support to assist in bringing highly talented but relatively inexperienced new hires up to speed as quickly as possible. Internal development programs must also work to prepare internal employees to make the leap to jobs with increasingly higher skill levels.

Companies that master the art of identifying, hiring and developing candidates based on potential will have a

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major advantage when it comes to staffing skilled positions. This is particularly true for organizations that have large numbers of unskilled, hourly employees. These organizations can leverage their unskilled labor forces as a large, readily accessible talent pool containing a wealth of pre-qualified applicants for skilled jobs. Encouraging and supporting internal promotions from unskilled to skilled positions will both provide a predictable supply of talent while also improving employee commitment and motivation among the unskilled labor force. Over time these companies will begin to attract more and more high potential applicants into their hourly workforce as the company develops a reputation as a "great place to start building a career".

Broad band succession planning.

Many companies use elaborate succession planning systems to track, develop, and promote employees into key positions. These systems are usually built using hierarchical structures where potential replacement employees are slotted under certain specific jobs or departments. For example, a leader may list two potential replacements who could fill his/her position, these two potential replacements list two potential replacements who could fill their roles, and so on down through increasingly lower levels in the company. Although hierarchical succession planning can be relatively effective, it has two key limitations that makes it poorly suited for future staffing needs. First, it assumes that organizations will have the same basic hierarchical organizational structure over time. Hierarchical succession plans often lose their relevance when companies radically restructure, remove positions or eliminate entire layers altogether. Second, hierarchical succession plans often overlook potential replacements from non-traditional areas within the company. For exam-

ple, a field-based senior marketing manager might possess the core competencies needed to perform a corporate-based director-level job in finance, but would never be considered for this position because he/she

Selecting for Potential and the US Military

The US military provides one of the best examples of an organization that has effectively implemented the concept of selecting for potential. Every year the military accepts thousands of relatively unskilled high school graduates into their ranks. These new recruits are trained to perform highly specialized and complex technical tasks in a very short amount of time. How is it that the US military is able to teach average high schools students how to do things such as fixing and operating advanced military hardware in less than two years? Part of the answer has to do with selecting for potential.

Anyone who has recently gone through the US military can probably remember spending hours completing a range of psychological assessments. These assessments are used to determine how people's basic talents match against different military specialties. The assessments are used to match new recruits to different assignments and training programs. In addition, much of the training used by the military is built specifically for people who show a natural inclination or talent for the tasks being trained. For example, a course on fixing tank engines may be designed specifically for people who show a natural talent for performing mechanical tasks. The combined result of selecting for potential and designing training for people with a natural talent for the task makes it possible for the military to develop highly specialized skills in new recruits in a very short amount of time.

is not located in the right part of the organization.

Recent innovations in staffing assessment technology hold promise for eliminating the need to use hierarchical succession planning strategies. Sophisticated search and match engines can sort through thousands of employees to identify individuals with key competencies and capabilities needed for certain positions. Instead of basing succession planning around the names and titles of specific employees, these search engines allow organizations to plan succession and development strategies based on comparing long-term talent needs against competency inventories taken of the



workforce. Staffing professionals are able to search and locate high potential replacements at the time when they need them. Development departments can use search tools to generate reports indicating the general skills and capabilities found across the entire workforce. They can then create targeted development interventions to build critical skills that are in short supply across the company. The use of these more flexible, broad based "just-in-time" succession planning techniques will become increasingly important as organizational structures become more and more dynamic and overall talent shortages worsen.

Workforce Analytics. Steady shifts in the supply and demand for skilled candidates is going to place greater and greater demands on staffing departments to perform at maximal productively levels. This includes proactively identifying and forecasting future workforce issues that could lead to a critical loss or shortage of talent. Achieving these goals will require an increased focus on the collection and use of staffing data. Staffing organizations must become effective at gathering numerical data indicating the efficiency of methods for attracting and selecting candidates, the performance of employees after they are hired, and long-range projections of future talent needs for different functions within the organization. Staffing departments without this data will be forced to merely "guess" at whether they are being effective in terms of providing the organization with the talent they need when they need it.

The increasing automation of staffing and HR systems is providing companies with unprecedented access to data about workforce changes, the nature of applicant quality and flow,

employees satisfaction and skills, and projected staffing needs. To effectively make use of this data, staffing organizations must ensure that the data being provided is as accurate as possible. They must also leverage advanced workforce analytic methods to accurately interpret trends and

Windows Explorer, Google, and Succession Planning

Traditional, hierarchical succession planning strategies can be likened to the file structures used in software tools such as Windows Explorer that group information into different, hierarchically nested files and directories. These hierarchical file structures work well as long as the overall, high level information structure is well understood and remains relatively constant over time, and no information is inadvertently placed in the wrong file or directory. In contrast, broad band succession planning strategies can be likened to internet search engines such as Google. Internet search engines use sophisticated tools to look at a wide range of information simultaneously. These engines allow users to find information without having to use higher level information structures to organize and search for data. Because they don't rely on nested files, they also avoid problems associated with storing information in the wrong file or directory.

Succession planning structures that do not use hierarchical information structures have a lot of advantages as long as the search engines they use are both accurate and fast. Until recently, such search engines did not exist. However recent advances in technology have led to the creation of search engines that are capable of sorting through complex information on thousands of individuals in seconds. These advances could change the methods used for succession planning from ones where candidates are identified and organized into different hierarchical lists "just in case" a replacement is needed, to ones where candidates are identified "just in time" to fill critical positions.

explore potential strategies for change. This means going beyond reporting simple averages and "production figures" (e.g. time to hire, number of hires filled), and using more sophisticated statistical modeling methods to understand correlations and trends underlying different aspects of the talent management process. Similar to the way that organizations use sophisticated data modeling methods to project financial performance and supply chain inventories, future staffing departments will need to collect and analyze staffing data to identify subtle trends and



changes that provides insight into current staffing performance, future staffing needs and provide methods for addressing them.

Next steps?

The key question facing staffing organizations should not be whether to prepare for the 8 broad trends described in this paper, but how to prepare for these coming changes. The predictions and recommendations made in this paper are based on many changes that have already started to happen-- the question is not whether these changes will occur, but how

extreme they will be. Regardless of the scope and extent of the 8 trends, companies that undertake the initiatives described in this paper will be in a better position to cope with these trends and may even significantly profit from them. Admittedly, most of the initiatives suggested in this paper are neither inexpensive nor easy to implement. Many of them take well over a year to fully develop and deploy. However organizational leaders would do well to remember that even the best business strategy in the world is destined to fail if no one is available to actually do the work.

The content of this article is based on information from a variety of sources including scientific research reports, government data, articles in the business press, discussions with business leaders and academics, and conversations with front-line recruiters and candidates. It reflects a synthesis of over 10 years of research and applied work developing staffing methods that have been used with millions of applicants ranging from entry-level employees to senior executives. Although citations in this article are restricted to references for specific data, a variety of other sources supporting observations throughout the article can be made available upon request.

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About the Author

Dr. Steve Hunt (shunt@unicru.com) is Chief Scientist at Unicru. Steve's responsibilities include developing methods to identify key behaviors that drive job success in different environments and designing tools to assess the fundamental motives, abilities, and characteristics that predict these behaviors. He has over 12 years of consulting and research experience in strategic human resources, and has developed and deployed staffing assessment systems for jobs ranging from front-line associates to senior executive leaders.

Previously, Steve worked as a strategic human resource consultant specializing in workforce recruitment and selection, leadership and employee development, and organizational change. His client list includes companies in the US, Europe, and South America ranging from members of the Fortune 100 to small non-profit organizations. An active author and speaker, he has also published and presented research on a variety of topics related to strategic human resource practices.

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