Shortage of Talents – a Challenge for Modern Organizations

Paweł Wójcik  
Faculty of Economics  
Maria Curie-Skłodowska University in Lublin, Poland  
pawel.wojcik@poczta.umcs.lublin.pl

Abstract

Purpose – The objective of the paper is to highlight the issue of talent shortage in modern organizations, determine the main causes and outcomes of the phenomenon, and compare the shortage in Polish organizations with global trends.

Approach – Based upon the literature, the paper applies Chodorek’s approach to talent. Main challenges and determinants of talent management in modern organizations were established. A review of studies pertaining to the significance of talent management in modern organizations was conducted. Reasons behind talent shortage and its consequences for organizations were also examined.

Findings – Both global and Polish trends indicate that talent management has become one of the chief challenges modern organizations face. Competition for talents constitutes a current issue and poses one of the critical challenges for HR departments. The shortage of talented workforce results primarily from unfavorable demographics and lack of appropriate qualifications of potential employees. It was observed that both in Poland and internationally, organizations voice problems with employing talented workers on the one hand, but frequently neglect to manage talents actively on the other. Few organizations possess a comprehensive strategy concerning the issue. The most significant consequences emerging from the shortage of talented employees include customer service capacity being limited and a decline in competitiveness and productivity.

Originality/Value – The paper reviews and compares results of studies conducted by international consulting companies: Charter Institute of Personnel and Development, Deloitte, ManpowerGroup, Mercer, PricewaterhouseCoopers, Randstad, Boston Consulting Group. In addition, the shortage of talents present in Poland was compared with global trends.

Paper type – Literature review.

Keywords – talent, talent management, modern organizations, human resources

1. Introduction

It was acknowledged that the emergence and development of the idea of talent management occurred in the 1980s in the USA. The emergence of the concept was motivated by a significant shortage of suitable candidates to replace retiring managers (Tabor, 2013). However, talent management only gained popularity towards the end of the 1990s when difficulties of American companies associated with the employment and retention of suitable workers were labeled “the war for talent” in the 1997 report of McKinsey & Company (Michaels et al., 2011).
Despite 2 decades having passed since the term was coined, “the war for talent” is still a reality for modern enterprises. A 2014 study by Randstad (2015) which encompassed 50 HR directors, talent acquisition leaders and HR managers from 40 countries revealed that 73% of respondents believe that “the war for talent” constitutes a current and fundamental challenge for contemporary businesses (Randstad, 2015).

The paper constitutes a review of definitions and approaches to talent. Reasons behind and the scale of companies’ interest in talented people were presented. Based upon the review of literature, an attempt was made to determine the most significant reasons for talent shortage. Professions where the shortage of qualified workforce is the highest were indicated. The situation in Poland was compared with global trends. Finally, further sections of the paper present the most important ramifications emerging from talent shortage for companies.

2. Defining talent
The role of employees who distinguish themselves, whose contribution often decides upon the company’s market success, has grown in modern organizations. Defining what talent actually denotes is by no means a straightforward task. As a consequence, an abundance of definitions of the term is available.

Based upon a review of definitions, Gallardo-Gallardo et al. (2013) distinguished two fundamental approaches to talent: talent as an object (characteristics of people) and talent as a subject (talent as people). The former approach defines talent as exceptional skills and attitudes of an individual. Scholars draw attention to an individual’s features which are complementary in character, where talent is perceived as a natural ability, mastery, commitment and fit. The latter approach determines the value the organization attaches to talented workers. According to these authors, both the object and subject approaches offer advantages and disadvantages. Therefore, they suggest both to be applied due to the fact that the former allows to identify talent and the latter – to establish its role in the organization (Chart 1).

On the basis of the review of definitions and analysis of the frequency keywords appear in these, Ingram (2011) distinguished three essential categories for defining talent:

- talent as a characteristic of an individual: potential, abilities, motivation, knowledge, skills, values, intellectual capacity, experience, entrepreneurship;
- activities characteristic for talent: directing, inspiring, realizing, orienting and concentration, control and investment, maintenance and shaping, embracing new challenges;
- the object talent impacts on: organization, effectiveness, objectives, development and passion, work, competition, client.

Based upon the analysis, Ingram (2011) argues that talent constitutes a combination of particular characteristics, undertaken activities, and specifically selected influenced objects. Therefore, the author observes that “a talent is an individual characterized by potential, skills, motivation and knowledge, who exerts a significant impact upon the organization’s functioning, and achieves extraordinary results by realizing objectives and caring for their own development”.

In relation to the above-mentioned approaches to talent, Chodorek (2016) observed that various definitions are only seemingly different. Having conducted an in-depth analy-
sis, the author believes that these definitions differ primarily in terminology. However, talent itself constitutes a starting point for the concept or culmination of undertaken effort. Therefore, the author argues that talent in the organization encompasses employees:

- manifesting an identified collection of features conforming with the developmental needs of the organization;
- matching their position (based upon internal, inborn predispositions);
- achieving exceptional outcomes in their “roles”, thus improving the operation of the whole organization.

Miś (2009) determined the characteristic features of talented employees (Table 1). The analysis of information in the table indicates that talented people are characterized by an internal control and pursuit of independence. Similarly, Robertson and Abbey (2010) observe that talented people pursue personal development, mobility, swift action-reaction, significance and objectives, activity and selection, respect and entertainment.

In conclusion, the above considerations regarding talent may be summarized by the following statements concerning talented workers (Mikula, 2007):

- they are unwilling to become involved with the employer on the basis of a long-term employment contract,
- money is frequently not a significant stimulus attracting them to a particular organization. What becomes the motivator are requirements and opportunities for creating something exceptional, application of their knowledge, acquisition of new knowledge, achievement of self-fulfillment,
- they pursue significant autonomy instead of being limited in their independence by work discipline of, e.g. working hours and specific objectives set by their superior,
- they demand respect and conditions facilitating team-working.
Characteristics' criteria | Talented employees
---|---
establishment of an objective | internal objective
permanence of an objective | permanent in long-term perspective
objective’s selection | own objective contributed to the organization
motivation for realization of an objective | internal motivation – independence from external stimuli (e.g. financial), work in itself enables passion to be realized
feeling of location of control | internal
criteria of objectives’ evaluation | internal – own excellence standards, feeling of self-fulfillment
development criterion | opportunities offered by the organization exploited; access to technical facilities and new knowledge
perception of development (subjective career) | experimenting with solutions outside the structure
time perception | enables new solutions to be recognized and applied via experimenting
source of power | talent
number and type of distinguishing competences | passion and high intellectual predispositions
source of competences | interest and individual motivation and specific personal features

Source: Miś (2009).

Talented workers require a different treatment and approach in comparison with the remaining employees. Uniform treatment of employees, one which does not take their contribution and potential into consideration, may exert a negative impact upon company’s operations. This is due to the fact that such an approach denotes a lack of interest in behavior and development of exceptional competences of the organization which originate primarily from the best employees (Morawski, 2009).

### 3. Reasons behind interest in talents

The origin of companies’ competitiveness shifted from their tangible, physical resources towards intangible ones emerging from possessed knowledge, relations with clients and business partners, brand, organizational culture or management methods (Morawski, 2009). It can be observed that, currently, employees have the upper hand over companies (Table 2).

The new reality modern organizations operate in requires the acquisition of the best employees. The following can be enumerated as causes of “the war for talent” (Grodzicki, 2011):

- small number of qualified candidates;
- population ageing, change of age-groups’ ratio, human resources gap;
- change of lifestyles – more attention devoted to work-life balance, flexibility and changeability of employment;
- shortage of leaders, independent consultants replacing executive/managerial functions associated with responsibility;
- qualifications-associated flexibility, permanent development, lack of specialization;
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- mobility, global labor market;
- competition on the part of SMEs offering innovative projects and independence;
- fear of being subordinated to corporate culture;
- evaluating employers in the context of Corporate Social Responsibility. CSR as a vital aspect in the context of attracting and retaining talents.

Changes in companies’ surroundings resulted in a change of the approach to attracting talents (Table 3).

<table>
<thead>
<tr>
<th>The old reality</th>
<th>The new reality</th>
</tr>
</thead>
<tbody>
<tr>
<td>people need companies</td>
<td>companies need people</td>
</tr>
<tr>
<td>machines, capital, and geography are the competitive advantage</td>
<td>talented people are the competitive advantage</td>
</tr>
<tr>
<td>better talent makes a difference</td>
<td>better talent makes a huge difference</td>
</tr>
<tr>
<td>jobs are scarce</td>
<td>talented people are scarce</td>
</tr>
<tr>
<td>employees are loyal and jobs are secure</td>
<td>people are mobile and their commitment is short-term</td>
</tr>
<tr>
<td>people accept the standard package they are offered</td>
<td>people demand much more</td>
</tr>
</tbody>
</table>

Source: Michaels et al. (2011).

<table>
<thead>
<tr>
<th>Old rules</th>
<th>New rules</th>
</tr>
</thead>
<tbody>
<tr>
<td>recruiters used Internet tools to find candidates</td>
<td>recruiters continuously expand their use of social media sites for sourcing, including Twitter, Facebook, Glassdoor, Pinterest, and Quora, in addition to LinkedIn</td>
</tr>
<tr>
<td>employment brand is viewed as a marketing strategy</td>
<td>employment brand has a complete strategy, reaching into all possible candidate pools and channels</td>
</tr>
<tr>
<td>recruiters run the recruiting process</td>
<td>recruiters partner with hiring managers throughout the search process, leveraging their networks, cultural needs, and success criteria</td>
</tr>
<tr>
<td>job descriptions communicate what the organization demands from the potential employee</td>
<td>job descriptions focus on the needs of the candidates – a tactic that yields three times as many highly rated applicants</td>
</tr>
<tr>
<td>an applicant tracking system is the only required talent acquisition technology</td>
<td>companies have talent acquisition technology platforms that manage sourcing, video interviewing, interview management, candidate relationship management, and onboarding</td>
</tr>
<tr>
<td>talent acquisition processes are built on efficiency, effectiveness, and speed of hire in a way that works for the enterprise</td>
<td>the candidate and hiring manager are front and center in talent acquisition processes, tailoring the candidate experience around the moments that matter in the talent acquisition journey with the organization</td>
</tr>
</tbody>
</table>

Source: Deloitte (2017).

When discussing talents in organizations’ operations, the share of such employees in the total number of workers employed in companies is worth considering. Researchers observe that talented people constitute a relatively small group. According to Berger and Berger (2004), distinguishing workers who achieve exceptional results, inspire others to do the same, and who are the source of competences for the organization, constitute between
3 and 5% of staff. On the other hand, Borkowska (2005) believes that talent constitutes an extraordinary ability significant for increasing company value, and talent management may be applicable to 5–10% of all employees. This, however, is very sector- and market-position-dependent, e.g. Google employs 90–95% of the best talents (MeetTheBoss.tv).

Modern companies appreciate the significance and impact of talents upon their operation. The significance of talent management in companies’ operation was acknowledged in studies conducted by PricewaterhouseCoopers (PwC) in 2011. The study indicated that, when asked “To what extent do you anticipate changes at your company in any of the following areas over the next 12 months?”, 1,201 CEOs in 2011 and 1,258 CEOs in 2012 responded that talent management strategies constituted their priorities (Chart 2).

Similar results were obtained in the study by Deloitte (2017). The study encompassed over 10,000 HR and business leaders from over 140 countries. They believe that attracting talent constitutes one of the fundamental trends in 2017 (Chart 3).

![Chart 2.](http://ijsr.journals.umcs.pl)

**According to CEOs, areas in organizations which will become a priority in the next 12 months**

Source: PwC (2012).

Studies conducted by Boston Consulting Group (BCG) analyzed HR issues in two aspects: future importance and current capability. As a consequence, the establishment of critical HR issues requiring swift actions to be undertaken was possible. Talent management was the group’s responsibility between 2010 and 2015 (Table 4).

![Chart 3.](http://ijsr.journals.umcs.pl)

**The 2017 trends by importance**

Source: Deloitte (2017).
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<table>
<thead>
<tr>
<th>Year of report</th>
<th>Sample size</th>
<th>Number of Countries</th>
<th>Most Critical HR Topics (Most urgent need of action)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>5561</td>
<td>109</td>
<td>improving leadership development, managing talent, enhancing employee engagement, strategic workforce planning, managing chance and cultural transformation</td>
</tr>
<tr>
<td>2011</td>
<td>2039</td>
<td>35 European countries</td>
<td>managing talent, improving leadership development, transforming HR into a strategic partner, strategic workforce planning</td>
</tr>
<tr>
<td>2012</td>
<td>4288</td>
<td>102</td>
<td>managing talent, improving leadership development, strategic workforce planning</td>
</tr>
<tr>
<td>2013</td>
<td>2304</td>
<td>34 European countries</td>
<td>talent management and leadership, engagement, behavior and culture management, HR analytics: strategic workforce planning and reporting</td>
</tr>
<tr>
<td>2014–2015</td>
<td>3507</td>
<td>101</td>
<td>leadership, talent management, behavior and culture</td>
</tr>
</tbody>
</table>


Studies by Chodorek (2016) confirmed that managers in Polish companies are aware of the necessity of talent management as well.

The impact of talents upon the financial situation of companies also seems interesting. Studies revealed that talent management is positively correlated with companies’ financial results (Buhler after: Kopeć, 2008). Similar studies among American companies were conducted in 2007 by Hackett Group. These indicated a 15% higher income of talent-managing companies when compared with those which did not have such systems. Other factors also indicated an advantageous impact of talent management upon these companies, e.g. net profit margin – 22%, return on assets (ROA) – 49%, return on equity (ROE) – 27% (Stuart-Kotze, Dunn, 2011).

4. Causes of talent shortage

Considerable interest in talents manifested by modern companies results primarily from talent shortage. The shortage poses one of the fundamental HR problems. Unfavorable demographic changes, growing demand for talents and lack of suitable employees, require companies to improve their talent management systems.

It is statistically certain that the upcoming demographic boom generation’s retirement will result in the emergence of a considerable gap in the access to talents in the majority of industrialized countries (World Economic Forum, 2010). It is estimated that by 2030, an additional 45 million workers will be required in Eastern Europe in order to maintain economic growth. Taking into account the rate of population growth,
the number will never be achieved (World Economic Forum, 2011). It is forecast that 2015 was critical for OECD countries. This is due to the fact that it was then that the curves of employees entering labor market (20–24 year olds) and those leaving the market (60 years of age and above) met. After this occurred, workforce in the majority of developed countries began to dwindle (Chart 4).

![Chart 4. Incoming workforce (20–24) vs. outgoing workforce (60–64) in OECD countries between 2000 and 2030](image)


Global studies conducted by ManpowerGroup indicate that 30–40% of employers worldwide voiced shortages of workers in the period between 2006 and 2016. The trend has been growing steadily since 2009. When compared with international tendencies, between 2008 and 2010, Polish companies voiced a 20% greater shortage. Since 2012, this Polish trend has been in line with global values (Chart 4). On the other hand, the study encompassing 520 organizations conducted in 2015 by the Chartered Institute of Personnel and Development (CIPD) proved that 4/5 of organizations experienced that “the war for talent” became more severe in the previous 2 years (CIPD, 2015).

Similarly, according to a 2014 report by Deloitte (2014), 35% of respondents observe that the shortage, motivation and retention of talents will constitute the greatest challenge for the EMEAP area (i.e. regions of Europe, Near East, Asia and the Pacific) in the next 3 years. This denotes a rising trend when compared with 2013 when such an answer was given by 26% of respondents (Deloitte, 2013).

![Chart 5. Number of employees voicing talent shortage](image)

Source: ManpowerGroup (2016).
It turns out that, on the one hand, companies voice talent shortages resulting from the lack of qualified workers, but, on the other hand, ignore problems stemming from improper talent management.

The study conducted in 2011 by the BCG encompassed 2,039 managers from 35 European countries and indicated that 60% of respondents stated their companies did not possess a true talent management strategy in relation to talent attraction and succession-related challenges. Apart from the above, more than 1/3 of respondents described their companies as not having the strategy, and only 2% stated that their organizations implemented a strong and comprehensive talent management strategy (Strack et al., 2011). According to studies by ManpowerGroup, over 1 out of 5 employers realize no strategy associated with talent shortage (ManpowerGroup, 2015). A study by Randstad (2015) indicted that respondents assess their organizations’ capacity for attracting the best talents in the following manner: 12% – exceptional, 55% – good, 29% – average, and 4% – little. A study by CIPD (2015) indicated that 1/5 of organizations (mainly small businesses) have no budget to manage talents. These studies confirm that in the conditions of an expanding talent gap, the majority of companies do not apply fully active talent management. Studies conducted in Poland between 2008 and 2014 seem to confirm the trend. Polish companies indicate a low level of talent management systems’ application. They apply selective aspects of talent management. As a consequence, a systemic approach is missing. In addition, talent management is frequently missing from companies’ strategies (Chodorek, 2016).

Moreover, attracting employees who possess suitable qualifications also poses a challenge as far as talent management is concerned. ManpowerGroup conducted studies regarding the issue and identified employee shortages and classified these with regard to professions globally (ManpowerGroup, 2016):
1. skilled trade workers (electricians, carpenters, welders, bricklayers, plasterers, plumbers, masons and more),
2. IT staff (developers, and programmers, database administrations and IT leaders and managers),
3. sales representatives (sales executives, sales advisors and retail sales people),
4. engineers (mechanical, electrical and civil engineers),
5. technicians (production, operations or maintenance technicians),
6. drivers (truck, lorry, heavy foods, delivery, heavy equipment and construction drivers),
7. accounting & finance staff (bookkeepers, certified accountants and financial analysts),
8. management/executives (senior and board level managers),
9. production/machine operations (operators of special machinery),
10. office support staff (secretaries, PAs, receptionists and administrative assistants).

In Poland, shortages pertain to the following (ManpowerGroup, 2016):
1. skilled trade workers,
2. drivers,
3. engineers,
4. production/machine operations,
5. laborers,
6. technicians,
7. restaurants & hotel staff,
8. IT staff,
9. doctors and other non-nursing health professionals,
10. sales managers.

When comparing employee shortages in Poland and globally, the fact that the majority of professions are present in both rankings can be observed. In addition, Poland is short on laborers, restaurant and hotel staff, doctors and other non-nursing health professionals. Unlike Poland, international trends indicate shortages of accounting and finance staff, management/executives, office support staff.

5. Consequences of talent shortage
The lack of suitable talent management in modern companies is associated with difficulties in attracting, developing and retaining talents. The shortage exerts an impact upon the organizations’ operations. The study conducted in 2014 and 2015 by ManpowerGroup interviewed respondents on the impact of the shortage on their organization. It turned out that talent shortages influence mainly customer service capacity, competitiveness and productivity (Chart 6).

The companies’ capacity for satisfying their clients’ needs is critical with regard to their operation due to its direct translation into financial results. Between 2014 and 2015, ManpowerGroup evaluated the impact of talent shortage upon the capacity to respond to clients’ needs. The study proved that according to 80% of respondents in

![Chart 6. Impact of talent shortage upon organizations](chart6)

**Chart 6.**
Impact of talent shortage upon organizations

![Chart 7. Impact on ability to serve clients](chart7)

**Chart 7.**
Impact on ability to serve clients

2014 and 78% in 2015, talent shortage exerted a negative impact upon the satisfaction of clients’ needs (Chart 7).

Studies by PwC encompassing 1,258 respondents from 50 countries also indicated a negative impact of the shortage upon the companies’ operation (2012). Respondents were queried on the way employee shortage impacted the companies’ development and profitability in the past 12 months. It turned out that the growth of expenditures associated with talents and cost of lost opportunities constituted the most significant outcomes (Chart 8).

Chart 8. Impact of talent shortage upon growth and profitability of organizations in the past 12 months

Source: PwC (2012).

6. Conclusions

Talent management constitutes a challenge for modern organizations both globally and in Poland. The above-mentioned studies revealed that “the war for talent” remains a current issue worldwide and that talent management depends upon priorities of organizations. Unfavorable demographic changes and the shortage of qualified workers belong to the fundamental causes of talent shortage. Globally, since 2008, employers have voiced an increasing talent shortage. Managers are aware of the significance of talented workforce for companies’ operations. However, on the other hand, few companies have introduced a comprehensive talent management system as an element of their strategy. The majority of companies apply only selected initiatives in talent management. The shortage of talented workers limits the organizations’ capacity in terms of customer service and decreases competitiveness and productivity.

Talent management in the context of the shortage in Poland is relatively in line with international trends. Since 2012, Polish companies have been voicing increasing difficulties in finding talented workers. Polish managers are also aware of the necessity of talent management. However, their organizations, much like international ones, apply only selected aspects of talent management. When comparing employee shortages voiced by Polish companies with international trends regarding particular professions, it was revealed that, in both cases, the shortages are primarily related to skilled trade workers, IT staff, sales representatives, engineers, technicians, drivers, production/machine operations.

Changeability of labor market and companies’ surrounding environment, originating primarily from demographic changes, globalization, and remote work, result not only in “the war for talent” becoming more severe, but also in the emergence of dynamic
changes in talent management itself. Therefore, it seems that the issue of talent management, especially as far as attracting, developing and retaining talented workers are concerned, requires further studies.

References


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