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Talent Strategies Demand a New Normal

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The war for talent is over ... and talent won, reinforcing that people and the future of work represent the defining business challenge for the next decade.

People and culture sit atop the list of key risk concerns of board members and executives worldwide looking out over the next 12 months as well as into 2032, according to the latest [Top Risks Survey](#) from Protiviti and NC State University's ERM Initiative. Even amid an uncertain economy, inflationary conditions and fears of a possible recession, people, talent and culture issues stand out as critical concerns for the board and C-suite.

Talented people and culture are related, as the latter attracts the former, and when effectively led, the best and brightest engender innovative cultures that can compete and win in the digital age.

Unfortunately, this perspective frequently is not aligned with an organization's talent strategy. In many instances, the talent strategy, to the extent that it exists, is fairly simple, not to mention highly reactive in nature. In fact, in many organizations, HR's talent game plan swings from industrywide hiring "binges" to job "chops" as external conditions and revenue forecasts dictate. If this is the case — and we've seen evidence of this in numerous companies across all industries — it's time to establish a new normal for the organization's talent strategy. Considerations around the organization's talent strategy are especially important today in light of recent layoffs occurring in several industries, including technology.

Boards of directors and executive leaders have a responsibility to ensure their organization's talent strategy is integrated with its business strategy.¹ This means that executive leadership should hold the chief human resources officer (CHRO) as well as business leaders throughout the organization accountable as they partner to develop and deploy a suitable talent strategy. The steps for executing this requirement are straightforward; yet, they demand a comprehensive effort, the success of which hinges on several enablers. These factors include an appropriate talent mindset among board members and executive leadership, the communication of the talent strategy and related objectives throughout the enterprise, and investments in supporting technology and human capital analytics.

Given that the performance of most companies is increasingly reliant on the quality of their talent, it becomes more important to have a comprehensive, business-aligned talent strategy in place — a need that remains consistent in both favorable and unfavorable phases of the macroeconomic cycle.

Regardless of when the next recession takes hold, the normal combination of revenue declines, hiring decreases and staff reductions is unlikely to remedy a worldwide, long-term, systemic talent shortage in many professions and job categories. For example, even as the European energy crisis deepened in spring 2022, Germany's job vacancies reached a record high of 1.93 million, a figure that marks a 66% increase over the previous year. A Munich-based research organization also reports that half of all German companies cannot hire enough skilled employees.²

In the United States, the January 2023 report from the Bureau of Labor Statistics (BLS) showed there were 11 million job openings as of the end of 2022, up nearly 600,000 from the previous month. The unemployment rate was 3.4%. The bureau reported that job growth was widespread.³ The largest increases in job openings were in accommodation and food services, retail trade, and construction. BLS data continues to show that there are, on average, 0.5 unemployed persons available for each job opening; in other words, there are twice as many job openings as unemployed workers available to fill those positions.⁴

In Taiwan, a worsening technology talent shortage is driving the adoption of automation and advanced manufacturing technologies among semiconductor manufacturers. New public-private partnerships — including year-round “chip schools” that groom semiconductor engineers — are also being deployed, designed to refill Taiwan's insufficient talent pipeline.⁵

¹ “Integrating Your Business and Talent Strategy: Partnering With Your CHRO Is a Strategic Imperative,” *The Bulletin*, Volume 8, Issue 1, August 2022, Protiviti: www.protiviti.com/us-en/newsletter/talent-strategy-partnering-chro.


² “There are not enough Germans to do the jobs Germany needs,” *The Economist*, October 6, 2022: www.economist.com/europe/2022/10/06/there-are-not-enough-germans-to-do-the-jobs-germany-needs.

³ www.bls.gov/news.release/pdf/empst.pdf.

⁴ www.bls.gov/charts/job-openings-and-labor-turnover/unemp-per-job-opening.htm.

⁵ “Facing talent shortage, Taiwanese chip test firm ASE boosts automation,” Sarah Wu, Reuters, September 27, 2022: www.reuters.com/technology/facing-talent-shortage-taiwanese-chip-test-firm-ase-boosts-automation-2022-09-28/.

In summary, while news of layoffs in the technology industry and some other sectors continues to garner headlines, a number of economists see these actions as having a limited effect on the overall economy and jobs market, noting that many technology firms hired at a significantly faster pace than other organizations during the pandemic.⁶



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A 21st-century approach to managing human capital

Such acute talent shortages across numerous global industries and talent segments have flared even amid uncertain or declining economic conditions. They underscore the growing risks attached to outdated, reactionary approaches to talent management. A 21st-century-appropriate talent strategy requires a current inventory of all talent assets and skill sets, an understanding of how these assets enable execution of the business strategy, a focus on hiring for skills needed to achieve business objectives versus filling jobs, and a game plan for continually replenishing gaps between talent assets and business strategies as they arise.

An effective talent strategy also requires that CHROs and their teams have access to the data-driven performance insights they need to reduce hiring activity and/or reduce staff size (when necessary) with limited impact on the execution of business objectives. Such cost containment actions can be conducted while HR groups simultaneously undertake targeted hiring in recession-resilient business lines, recruit and onboard difficult-to-find skills (which could be less difficult to recruit amid a recessionary cycle), and help ensure the organization has the required talent and skills in place to pivot quickly based on changing market conditions and/or when the economic cycle indicates a clear return to growth.

Boards, executive teams and CHROs also should recognize that this type of talent strategy will help the HR function, in partnership with business leaders and partners throughout the enterprise; strengthen the organization's ability to attract and retain top talent; adjust the size of the workforce more nimbly; and recalibrate talent and skill sets swiftly to support changing

⁶ "Could tech layoffs spread to rest of US economy?" by Nik Martin, *Deutsche Welle*, January 29, 2023: www.dw.com/en/could-layoffs-in-tech-jobs-spread-to-rest-of-us-economy/a-64534631.

business objectives. Stated another way: While CHROs and HR business partners should drive talent strategy, this should be a shared responsibility with other business leaders.

Leading organizations treat their talent like their customers by delivering top-notch employee experiences that are differentiated from the employee experience of their competitors and other companies vying for the same in-demand skills. The creation and communication of a talent strategy that aligns with the business strategy and is supported by a focus on providing an exceptional employee experience greatly influences employee satisfaction, as does the extent to which the execution of the talent strategy – regardless of what those actions are – supports the organizational culture’s bedrock values.



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This alignment demands consistent, transparent communications. Even when talent management actions perceived as negative (e.g., staff reductions) must be taken, business leaders can emphasize that the rationale for those moves supports key business objectives and they are performed in a thoughtful and transparent way that is in line with cultural values. When downsizing occurs, for example, the rationale (e.g., “we’re shuttering a low-performing business line”) is communicated clearly as a business decision, and the separations are conducted in a manner that is well-informed (based on skills inventories, performance data and business conditions) and thoughtful (e.g., departing employees receive frequent and candid communications and may be given access to outplacement services through an external vendor).

Developing a sustainable talent strategy

After boards, senior executives and CHROs reevaluate their current talent strategy, they should consider the following steps to improve and/or overhaul their existing approach:

- **Take inventory, fill gaps, repeat** – Although the creation of a talent strategy represents a big endeavor, the plan is simple enough. First, HR leaders should conduct a comprehensive inventory of all current talent assets and skill sets. Next, those assets should be mapped to the organization’s overall business objectives. Third, any talent-business gaps that exist should be filled by tapping one or more of the company’s portfolio of talent sources (full-time employees, contract and temporary workers, expert external consultants, and managed services and outsourcing providers). And here is the key: These steps should be repeated on at least a quarterly basis or even more frequently (e.g., monthly), depending on how dynamic the company is, the volatility of marketplace conditions and other factors such as attrition rates.

- **Think differently** – Designing, aligning (with business strategy) and executing the talent strategy often requires a mind shift among corporate directors and executive leadership as well as some HR leaders. An old-school “binge or chop” talent management mentality lingers in many boardrooms and CFO offices. Treating employees like customers over the long haul requires new thinking and considerations. For example, it is important for senior leaders to recognize that certain talent segments will remain difficult to hire and retain even when the overall talent market softens. Additionally, many HR functions are not equipped with the right mindset or resources (e.g., HR skills and supporting technology) required to develop and execute this type of talent strategy.
- **Take control of the narrative** – Every talent-related action contributes to the overall narrative on corporate culture. When this narrative conflicts with executive leadership’s pronouncements about culture, then human capital, reputation and other risks materialize. Employee engagement levels may decline, attrition may increase (especially among top tiers of talent) and the employee experience can suffer. When hefty signing bonuses and salaries are used to hire difficult-to-source skill sets (a more common practice over the past two years), how is the rationale for these decisions communicated to the rest of the workforce, the majority of whom did not receive supersized offers? Is the organization prioritizing pay equity in its workforce to help address compensation disparities that may have arisen over the past few years? If staffing reductions are needed, how is that decision framed – in a logical and transparent way that cultivates understanding and support from employees, or in ways that employees perceive as disingenuous?
- **Transition to technology- and data-driven talent management** – Many assessments of talent and skills remain qualitative rather than quantitative in nature. Evaluations of performance and the roles of employees often rely on the thoughts and opinions of managers instead of data or metrics. While managers can be shrewd assessors of performance, gut feelings only go so far. Two employees may perform similar tasks, for example, but each of those employees possesses unique skills, relationships within the organization, personality strengths and development trajectories. If each performs similar roles that a manager is considering consolidating, the manager should be able to access comprehensive and objective data on their experience and competencies to make optimal decisions about role consolidation, a reassignment and/or termination. Talent management tools and, more broadly, HR automation have made evolutionary leaps in recent years. Traditional workforce planning and performance management solutions are being supplemented by more advanced tools for employee self-assessment, manager affirmations, employee sentiment tracking and more. AI-powered applications can help forecast future headcount fluctuations based on absenteeism, engagement data, productivity data and other inputs. CHROs, with support from their CFO and CIO, should invest in advanced automation that gives them deep, accurate and data-based insights into workforce and individual performance.



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Call to action: New talent realities require new approaches

The need for more sophisticated talent strategies will only increase — as will the risks triggered by relying on reactive strategies for managing talent. Boards of directors, C-suite leaders and CHROs should keep this in mind as the talent market and economic conditions continue to change. As our research reveals, people, culture and the future of work represent the defining business challenges for the next decade.

As HR leaders consider workforce changes in their organizations, they should do so based on data analyses, longer-term forecasts and some historical context while concurrently focusing on the employee experience. As we see increasingly in the market, more and larger dangers accompany outdated talent management approaches. It's time to establish a new normal for managing your people, especially considering that the war for talent is over.

About the Author



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