

# Skill Shortage and the Economic Crisis

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A shortage of skills and talent has been a major issue for organisations in recent times. The rapid economic growth and the resulting demand for skilled employees created a number of issues. Firstly it was difficult to find people to fill roles and secondly organisations were heavily burdened by high employee turnover due to competition in the employment market. The period exposed gaps in training and development and in education in general.

It is fair to say that the boom is now well over across the world. There has already been a large contraction in economic growth and reduced investment and unemployment levels have begun to rise sharply. Much has been said about the slowing economy and although the year is now in full swing it is still hard to predict when the recovery will start. While some experts predict that things will pick up later in 2009, others expect a few years of hardship. Many businesses are busier than ever, although not necessarily more profitable.

Some of the comments from managers are that while business profitability is down, companies cannot afford to "take the foot off the gas" as basically they need to work just as hard and even harder to compete in the market. Organisations that downsize and reduce their human capital investment might lose even more ground. It is imperative for organisations to take advantage if possible, invest in their leaders and talent and hopefully be far more competitive when the economy recovers.

The situation is posing a number of challenges for organisations, but

also opportunities to capitalise on the situation and to compete strongly and emerge stronger.

## Taking advantage of current conditions by recruiting talent

Despite the economic turmoil many organisations report that good managers and leaders are always in demand. Many industries are becoming more flexible and looking at proven leaders from other professions that might have been harder hit by the economic crisis. Many key skills such as project management, coaching and performance management are transferable and all that is often needed is some open mindedness from employers and employees. In these times it is recommended that employers and employees look beyond traditional recruitment techniques and look more widely at the types of skills and behaviours that are required for success in a role. Both parties can also invest in development and training to make cross industry transitions successful.

Those organisations that are savvier in their recruitment practices can take advantage of the economic slow down to solve their skill shortage problems. They are hoping to find talent amongst retrenched employees from industries harder hit by the economic slow down, such as banking and finance.

Using sound psychological methodologies organisations can widen their recruitment searches to concentrate on motivators, values, behavioural competencies and other transferable skills rather than looking at specific experience to absorb talent. A good leader should be able to lead and many management skills are transferable. For example, can a good finance project manager manage an IT project? Yes, if given the appropriate training. As Organisational Psychologists there is scope for us to redevelop recruitment practices to refocus employers for looking at traditional factors such as specific degrees and qualifications and looking at talent more openly. To do this effectively, development and change management will need to take place.



## Better recruitment practices

The current situation can once again refocus businesses on utilising validated recruitment practices.

Organisations are encouraged to take matters into their own hands and develop methodologies that achieve results in their business. A study by Clark (1992) found that when selecting managers, those that rely on external recruitment consultancies can expect them to use low validity techniques, primarily unstructured interviews and references. Low validity selection methods may be used because validity is not the primary "evaluative standard". As such, if organisations develop evaluative standards and scrutinise talent more effectively through effective techniques they can expect much stronger outcomes.

Shmidt and Hunter (1998) evaluated 85 years of research in personnel selection. On the basis of meta-analytic findings, they investigated the validity of selection procedures for predicting job performance and training performance. They found that pairing general mental ability (GMA) with a work sample test or a structured interview, such as a behavioural interview resulted in the highest recruitment validity. Pilbeam and Corbridge (2006) list correlations between selection methodologies and employee performance. It is found that assessment centres as the most valid selection methodology at 0.7, structured interviews at 0.6, work sampling at 0.5, personality assessment at 0.4, unstructured interviews at 0.3, references, interests, years of work experience at 0.1 and not surprisingly, graphology, astrology and age at 0.

Assessment centres, where employees perform simulations, role plays and other activities, can be expensive, logistically difficult and can take some time to set up. A Development Dimensions International white paper found that organisations with the best selection systems used a combination of behavioural-based interviews, motivational fit inventories, computerised resume screening and training/experience evaluations.

Behavioural interviews consist of employees recounting specific examples of work to highlight their on-job behaviour to help assessors predict future behaviour. Motivational fit is also highly important (Byham, 1989) as a candidate might have all the necessary skills and behaviours and yet not be interested in working in the organisation or performing a particular function. An analysis of motivation will connect the "can do" with the "will do."

The current conditions should provide psychologists with the opportunity to once again highlight the importance of such systems and methodologies where more recently organisations might have just been happy to find someone simply qualified to fit a role.

## International teams as a strategy to solving skill shortages

The economic crisis is a global issue and some countries have been hit much harder than others. Larger organisations can further utilise this to build effective multinational teams to mobilise idle talent in other parts of the world to help address skill shortages in other areas.

"Many international companies have projects spanning a variety of nationalities, involving great geographical distance and a range of time zones." (Buerger, T. and Oertig, M. 2006). Traditionally, teamwork is "a group of people with either mixed or complementary skills working together for an agreed purpose" (Rabey, 2003)). This definition can span nationally and internationally. However, further complexities are added when considering a cross-cultural international team (transnational team). According to Gupta and Govindarajan (2001) the transnational team is a cross-border organisational unit composed of individuals of different nationalities, working in different cultures, business units, and functions, thereby possessing specialised knowledge for solving a common global task. To further delve into the complex elements of an international/transnational team it is prevalent to understand the purpose and use of international teamwork, the structure and staffing of the team, the type of team meetings and location of the teamwork, the role played by Senior Management and the Team Leader, the social and cultural aspects of the team which need to be considered, and the various forms and barriers of communications. All these factors will assist in determining the role psychologists need to play in the transnational teamwork's success.

The transnational team must be able to develop networks of people with diverse capabilities throughout the organisation and be able to quickly mobilise them into well functioning teams to solve problems and respond to challenges.

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This leads to an examination of the staffing and structure of the team. "Although organizations often look to hire new people with new capabilities and attempt to develop existing people, the process of cataloguing and matching needed capabilities (i.e. knowledge management) with current and future problems and opportunities is often an inexact science" (Atamer, Calori & Schweiger, 2003). The team's composition is critical, since the development of needed global knowledge depends on social interaction and cooperation among team members to ensure creation and sharing of knowledge (Anderson & Lagerstrom, 2003). The fundamental task in forming a transnational team is assembling the right combination of individuals who can work together to accomplish the team's goal. There are various approaches to the staffing of transnational teams. Snow, Snell, Davison and Hambrick (1996), researched at least three important considerations involved: (1) the trade-off between local hiring and the use of expatriates, (2) consideration of groups as well as technical skills among team members, and (3) size of the team. According to Haas (2005), teams that include both cosmopolitan and local members can benefit even more from knowledge gathering than teams that include only locals or only cosmopolitans. The members of transnational teams also fulfil an important role of ensuring that, upon returning to their local units, the new knowledge is shared with other employees. This once again helps to reduce skill and knowledge shortages in organisations.

**Individuals can take the opportunity to educate and retrain**

Some industries have been hit a lot harder than others. For example, while mining and manufacturing has slowed right down, city infrastructure projects are continuing due to a constant rise in population in many Australian cities, and are likely to be further boosted by the



government stimulus package. Many professional people can make a move across, especially if they can secure some additional training. There is continuing investment in IT and communications infrastructure projects for example.

As organisations should look more widely for talent, it follows that employees should also be willing to apply more widely and be able to sell themselves more flexibly in the market. There are still skill shortages in many industries and proven leaders and managers are always in demand. Employees can be proactive in identifying their transferable skills, exploring other career interests, and upgrading their qualifications.

COP member Draga Jevtic from Pearson, whose key area of work is education book publishing, has noticed that there has been an increase in book sales. She commented that professionals are using the slow down to upgrade their skills, to develop and to possibly expand their career potential. She expects there to be an increase in professionals doing courses, getting various certificates and qualifications while the economy is in slow down.

Organisational psychologists involved in the area of coaching and career counselling can assist professionals in clarifying their focus and ensuring these efforts are successful in the years to come.

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## RICHARD KNOWDELL WORKSHOPS APRIL 2009 MELBOURNE

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Each participant who successfully completes the three day workshop will receive certification as a Job & Career Transition Coach from the Career Development Network.

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