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STAFF SHORTAGE STRATEGY

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RECOGNIZING TIPPING POINTS AND ACTING EARLY

Today, we are experiencing a phenomenon that was long thought impossible. It is not money that is in short supply, but people. In the past, companies and governments were able to invest their way out of crises because there was overemployment. Today, this is no longer possible and, above all, it is a global phenomenon. The age of abundance is being replaced by an age of scarcity. Therefore, all companies, organizations, and institutions are called upon to develop a personnel shortage strategy and to take action.

By Prof. (FH) Dr. Roman Stöger

I. A NEW PARADIGM

For centuries, prevailing business and economic theory has spoken of human resources as if it were an unlimited supply. This will finally come to an end in the coming decades. In Germany, for example, there will be a shortage of around five million workers over the next ten years. The job surplus rate, referring to unfilled positions, is 73% in childcare, 86% in elderly care, 90% in IT, and 82% in heating and air conditioning technology¹. This is precisely what is happening in times of climate change, artificial intelligence, and an aging population. The annoying thing is that these developments have been known for decades. For example, in 1995, it was clear to the decimal point how many people would retire in 2025.

Staff shortages are a key business issue.

Competent corporate management is demonstrated by the exploitation of opportunities and the recognition of risks. This is particularly drastic in the case of labor shortages regardless of industry, company size, or region. The issue has recently taken on a significance that would have been unimaginable in the past. A few years ago, for example, there were fears that digitalization or AI would threaten jobs. Today, we must hope that certain jobs will become redundant. This is not to reduce personnel costs, but to free up workers who are not currently available. No organization can be confident that enough employees will be available in the future. A staffing shortage strategy is a prerequisite for exploiting business opportunities and avoiding business-related risks (see Fig. 1).

¹ See RKW Magazine, 02/2023, p. 31.



2. THE BUILDING BLOCKS OF A STRATEGY FOR DEALING WITH LABOR SHORTAGES

Changing the business model: First, companies need to examine the extent to which the labor shortage affects their business model. The question is how core services, ancillary services, business areas, and so on can function with fewer staff. If, for example, a supermarket can no longer provide service counters and customer advice, Rewe, Edeka, or Spar will sooner or later become discounters and will no longer be able to remain supermarkets. The issue of staff shortages must also be consistently applied to the future situation of competitors, customers, and suppliers. Where do staff shortages lead to opportunities or threats here, especially from the perspective of your own company? This can be a starting point for customer processes to optimize business, deepen customer loyalty, and generally increase customer value.

Use of digitalization and AI: One solution to the bottleneck problem is to replace human labor with automation. The keywords here are digitalization and artificial intelligence². And here, too, we are seeing a turning point, because suddenly standardization and substitution of labor are not only negative. Every organization must ask itself where directly personalized service is absolutely necessary and where employees can be freed up. For example, DBS Bank in Singapore invested \$300 million in AI for personnel forecasting, recruitment, and personnel deployment. This made it possible to replace complicated and labor-intensive processes. Every company should have clarity about the personnel processes that are critical to its success and absolutely necessary. In addition, specific skills in the fields of automation, digitalization, and AI have to be developed at an early stage.

It is not people who will become unemployed, but companies.

Designing new working environments: Thirdly, companies are called upon to review their HR practices. It is a common misconception that the discussion about new working environments ("New Work") is a consequence of COVID-19. Rather, it is the logical consequence of the labor shortage and would also exist without the pandemic. Currently, the focus of marketing is shifting dramatically, from customers to employees. In the future, when companies apply to employees (and not the other way around), appropriate workplace and working time models, professional leadership, and employee retention will be critical issues for success. Increasing the attractiveness for real top performers will be a cornerstone of future human resources policy. Company management must assume that the labor shortage will continue for decades and reevaluate the corporate culture.

Taking into account the shortage of managers: Parallel to the labor shortage, and often unnoticed, something else is developing - a shortage of managers. This refers less to top positions and more to middle, lower, or project management. The reasons for this are broad and range from unattractive remuneration and the increasing importance of work-life balance to employees who are difficult to manage. Every company should have clarity about the future development of management positions and how to fill

² Wilson, H. / Daugherty, P., Pretty Good Friends, in: Harvard Business Manager, 2023/05, p. 25 ff.



them. This forms the basis for targeted management development in times of new work and the looming wave of retirements. Additionally, measures are needed to generally increase the "attractiveness of management" on the labor market and internally.

Fig. 1: The building blocks of the personnel shortage strategy

1. Change in the business model	- Review of products, services, business areas, etc. in light of scarce human resources - Impact of staff shortages on competitors, customers, and suppliers
2. Use of digitalization and AI	- Identifying the possibilities of digitalization and AI for automating processes - Clarity about the necessary personalized processes and services
3. Designing new working environments	- Future solutions for workplace and working time models, competent leadership, and employee retention as success factors - Professional employee marketing and retention of top performers
4. Taking into account the shortage of managers	- Development of a scenario for management positions and staffing - Targeted enhancement of "management attractiveness" on the labor market and corresponding management development
5. Consideration of political initiatives	- Utilization of new legal opportunities: more flexible working life models, earlier career entry, etc. - Targeted addressing of the "hidden reserve" through family and child support, tax incentives, etc.
6. Establishment of a risk radar	- Ongoing status reports on necessary human resources and bottlenecks critical to success - Reporting on the arrival and departure of people and know-how, as well as on critical, unfillable positions

Consideration of political initiatives: The labor shortage will lead to new solutions at the political level, such as more flexible working time models, later retirement, or earlier entry into the workforce. Bosch, for example, founded a subsidiary for 1,700 seniors who work as expert consultants. Politicians are also attempting to halt the decline in population through targeted family and child support measures and immigration. In Austria, the approximately 180,000 skilled workers who are lacking are offset by around 150,000 to 200,000 people in the so-called "silent reserve,". These are people who, for example, would like to work more but cannot do so because, for example, there are not enough childcare places. Another lever is tax measures to specifically promote bottleneck occupations and cushion demographic effects, such as nursing or pensions. The issues addressed are sensible, but management should never rely on entrepreneurial solutions coming from outside.

Establishment of a risk radar: Sixthly, there is the issue of a risk radar with regard to staff shortages³. For example, service contracts were long considered a highly interesting and profitable business. Siemens, Hoval, and their partners now face the risk and challenge of fulfilling their service obligations with ever-dwindling staff numbers. In the "old world," people were unemployed. In the "new world," it is companies. Therefore, the number of unfilled positions that are critical to success is becoming a key metric for competitiveness. What is needed is a longer-term radar for the arrival and departure of people, know-how, and the position on the labor market.

³ Eckhardt, F., et al. The Silent Resignation, Düsseldorf 2022, p. 8ff.



Special attention must be paid here to the real top performers and managers. This is not a "war for talent," but a "war for performers."

3. IMPLEMENTING THE PERSONNEL SHORTAGE STRATEGY

Companies and managers need to be able to diagnose personnel tipping points in order to gain clarity about opportunities and risks. No management team, supervisory board, or employee representative body will be able to stop demographic change. However, competent and responsible leadership is expected to develop a master plan and keep the issue on the radar at regular intervals. The building blocks presented are the basis of the personnel bottleneck strategy (see Fig. 2). Clearly, not all points are equally important for all companies, and industry or company specific additions will be necessary from time to time. In line with the 80-20 rule, however, the key topics cover most of the necessary areas of discussion. It is useful to start from a deliberately drastic scenario, such as, "How do we need to position ourselves in the future if we have 20-30% fewer staff?" This is the only way to create healthy pressure to think through the consequences and ideas.

Human resources and leadership will (have to) undergo fundamental change.

Due to the leverage effect of the personnel shortage, this topic must be an integral part of every strategy process and future program in the years to come. Bottlenecks in planning and budgeting should also be taken into account in order to arrive at realistic statements and avoid wishful thinking. Personnel bottlenecks will lead to a fundamentally different understanding of human resources and leadership. Decades ago, personnel administration was at the heart of HRM, but since the 2000s at the latest, personnel development has been pushed to the forefront. Now we are faced with the challenge of bottleneck management. In the future, HRM (human resource management) will primarily focus on personnel stabilization and, in this sense, become HRBM (human resources bottleneck management). However, the crucial point is another - the business risk does not lie in the shortage of personnel itself, but in the fact that management and the organization are not dealing with it in a sufficiently concrete manner.



Summary: Application and Benefits

1. Professional examination of human resources as a resource for the future
2. Systematic identification of opportunities and risks
3. Concrete development and implementation of measures to counteract or mitigate the shortage of personnel



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Fig. 2: Staff shortage strategy: tool and example (industry)

A mechanical engineering company is increasingly confronted with human resources problems. A human resources bottleneck strategy is developed along the building blocks and integrated into the company's implementation and controlling process.

A. Staff shortage strategy: Assessment of the situation

Component	Assessment
1. Change in the business model	- Increasing bottlenecks in service processes (including service partners) - Increasing demand from customers for support in (preliminary) development and industrialization due to a shortage of skilled workers on the customer side - Increasing market consolidation among dealers and distribution partners (succession problems, etc.) ...
2. Use of digitalization and AI	- Still too many "manual and paper-based processes" (xls, multiple entries, etc.) - No end-to-end process automation in purchasing and manufacturing (including interfaces) ...
3. Designing new working environments	- Change in values in engineering and administration among the under-30s ...
4. Taking into account the shortage of managers	...
5. ...	...

B. Staff shortage strategy: Implementation

Component	Measure	Deadline	Responsible
1. Change in business model	1.1. Development of new service models via remote diagnostics and customer interfaces	June 30	F. Moller
	1.2. Examination of a new business model for (preliminary) development and industrialization (also as an alternative to the existing production model)	Sep. 30	U. Koric
	1.3. Conversion of the distribution model to direct sales in key countries (implementation proposal)	Sep. 30	A. Peer
2. Use of digitalization and AI	2.1. Launch of the digitalization program in purchasing and preparation of the program in manufacturing	June 30	B. Eltze, U. Koric
3. ...	...		