Theoretical Conceptual Article

The role of Diversity in The war of Talents

Markus Postulka [1]

[1] University of Greifswald, Faculty of Law and Economics, Germany

*Correspondence: Markus Postulka (markuspostulka@freenet.de)

Abstract: This article provides an overview of the opportunities and risks of Diversity Management. It also attempts to close the research gap that results from the interrelationship between Diversity Man-agement and the War of Talents. The thesis is that the full benefits of Diversity Management in the War of Talents can only be real-ized if an appropriate diversity strategy has been established and communicated. Through teleological and historical perspectives as well as causal research of the topics and inter-faces, research questions will be answered and research gaps will be closed. The article thus pre-sents the essential theories on the significance of Diversity Management in the War of Talents. Mutual dependencies can thus be identified in order to assess the impact of Diversity Manage-ment. The bottom line is that diversity efforts must be concentrated and qualitative. A solid strategy forms the basis for this. However, external, non-operational influences are also of decisive im-portance for successful Diversity Management.

Keywords: Diversity Management, War of Talents, skills shortage, Recruiting, HR-Management, Employee retention

1. Introduction

The War of Talents is omnipresent in discussions on human resources management. Statistics and scenarios that focus on the threat to a company's existence are published almost weekly in new formats.

They describe a shortage of skilled workers that is increasingly affecting the entrepreneurial world. The shortage of skilled workers is linked to a latent fear of no longer being able to use labor as a production factor [1]. The human resource is becoming increasingly scarce and employers have to undertake and pursue a variety of attempts to attract employees and to survive in competition.

Particularly affected are the IT sector, the healthcare industry and research and development departments, where professions in the disciplines of mathematics, engineering, science and technology (STEM) are in demand.

The War of Talents would thus be one of the major challenges facing society and will shape the labor market and entrepreneurial activity in the coming years, perhaps even decades.

At the same time, there are also critics who argue that there is no shortage of skilled workers [2]. At first glance, all measures that make employers appear more attractive seem to be a well-practiced tool in the War of Talents. But in order to understand which tool has which influence on the employer competition, one has to take a closer look at this toolbox.

Diversity is to be understood as more than just an ideological measure that is seen as a reaction to radical views of isolated groups of the population. For example, Diversity Management is occasionally described as a measure against discrimination against women, homophobia or racial discrimination in everyday business life, with which the

employer can improve its external image. In fact, Diversity Management is much more far-reaching.

In recent years, Diversity Management has increasingly become the focus of activities aimded at enhancing employer attractiveness. But what are the interrelationships between Diversity Management and the War of Talents? To what extent does Diversity Management influence the War of Talents? Can a successful commitment to Diversity Management even result in a significant competitive advantage over competitors and thus help to win the War of Talents?

In order to find answers to these questions, one should first deal with the concept of diversity. In addition to a teleological view, the historical development of the subject area must also be shown in order to know the goals and to anticipate the further development. If one dissects the term diversity, it is necessary to show the different dimensions. These are to be equated with target groups that the employer has to address in the War of Talents.

This is necessary because each target group must be treated differently. On the one hand, the causes of disadvantage are based on differentiated facts. On the other hand, the measures that an employer can take to reduce barriers and disadvantages are also different. Last but not least, the focus is on the labor market, in particular the unemployment market, which counts the target groups mentioned above among its clientele to varying degrees.

2. Teleological Interpretation of Diversity Management

The importance of diversity and Diversity Management has increased in recent years. Demographic change, globalization, migration processes and social change are cited in the literature as the main causes [3].

Since all of these causes will continue to intensify in the future, the topic of diversity is likely to become increasingly relevant. Diversity is likely to develop as both an opportunity and a risk [4].

In addition to the aforementioned causes, however, diversity has its origins in behavioral research. People are attracted to those with whom they are similar in appearance, age, habits, educational qualifications or beliefs. This creates security. A similar behavior is described as homosocial reproduction, which is a phenomenon in which decision-makers often subconsciously tend to promote people in whom they perceive similarities to themselves [3].

In scientific terms, therefore, the adage "like attracts like" can be confirmed, but not "opposites attract".

There is no unambiguous definition of diversity. However, different definitions help to approach the term.

There are authors who view diversity as a variety of differences or a variety of differences and similarities. According to this, every human being is in some respects similar to many, few and/or no other human being [5].

Others focus on human competence. Thus, diversity can mean otherness or those human qualities that are different from our own and outside the groups to which we belong, but also present in other individuals and groups [6]. Diversity is the complex, ever-renewing mix of attributions, characteristics, behaviors, and talents [7].

However, in Germany diversity finds its origin in Article 3 of the German Grundgesetz, according to which men and women have equal rights and no one may be discriminated against on the grounds of gender, descent, race, language, homeland and origin, faith or religious or political views. The so-called dimensions of diversity can also be derived from this. These dimensions are the reasons why discrimination can occur. In the field of Diversity Management, they can also be equated as the target group for measures.

In addition to the legal dimensions mentioned above, other dimensions can be added. Marital status, place of work, seniority or function as a dimension would be some examples. There are many ways to determine the dimensions [5]. The german „Allgemeines Gleichbehandlungsgesetz" offers only one possible classification [11].

The goal is to compensate for disadvantages caused by stereotypes, categorizations and schemes. Diversity can have positive effects in organizations - but these do not arise automatically. A template-like diversity pattern, with the blanket formula "the more diversity in people, the more impetus," holds many traps.

These pitfalls can be rooted, for example, in the fact that diverse groups need more time to negotiate agreements and to find a common identity. In addition, living together holds a higher potential for conflict. The decisive factor is perceived similarity, not actual similarity. Thus, the fact that an immigrant child receives German citizenship does not make him or her free from the danger of discrimination on ethnic grounds.

These dangers are exacerbated when falsehoods are promoted or sweeping measures such as quota systems are created. However, the pitfalls and problems can be creatively mitigated through social diversity. At the same time, these activities are used to develop diversity of opportunity.

These goals, problems and prerequisites can also be transferred from the social view to a smaller view: the view of diversity in the company.

3. Historical development of Diversity Management

Successful companies have existed for much longer than the concept of Diversity Management. To understand the answer, one must look at the histo-rical development.

Diversity Management evolved out of the civil rights movement in the 1960s in the United States, where a legal ban on discrimination based on race and gender came into effect. Companies were required to incorporate the new legislation into their corporate culture [7]. This led to the development of a Fairness & Anti-Discrimination approach.

From the 1970s onward, the issue of diversity also became a subject of corporate action in Germany. The reason for this was the wave of guest workers combined with the realization that the need for integration would be of a permanent nature.

The reason for Diversity Management in general is often cited as demographics and intercultural encounters favored by globalization [6]. The multinational integration of markets and globally operating companies have the consequence of a diverse workforce consisting of different genders, age groups, ethnicities and languages.

The goal of managing diversity, on the other hand, is the profitable use of differences and commonalities within the company. This, in turn, can only succeed if all employees can and want to develop their performance and willingness to perform without restriction [7].

Diversity Management can thus be described as the management of diversity in companies. It uses personal diversity to achieve goals. The greatest possible diversity is therefore not a goal in itself, but a purpose to support the achievement of corporate goals.

In doing so, Diversity Management intervenes in existing structures, groups and planned career paths. Poorly implemented Diversity Management can promote mobbing and power struggles [12].

In addition to intervening in structures, which in turn can be understood as a conceptual approach, Diversity Management also encompasses the promotion of an individual's strengths as well as the creation of value to be used on a permanent basis.

To this end, framework conditions should be created that help overcome potential barriers. The purpose of this framework is to ensure that an understanding of diversity is implemented in the corporate culture. To this end, initial deficits can be outlined, networks established and the implementation of a diversity score card or other controlling instruments decided upon. Setting these framework conditions is the task of the company's management, which in turn must be implemented and observed by executives.

The implementation of diversity is therefore a management task. Managers exemplify the values of the corporate culture [3].

Leaders should work to maximize the abilities of all employees by realizing their potential to contribute to the achievement of the company's goals. To do this, two conditions must be met: Managers must know the goals of the company's management as well as possible measures. And they must be trained to have the necessary theoretical knowledge of Diversity Management.

The added value of Diversity Management that is then implemented can be seen on the one hand in a positive corporate image [8].

It is not without reason that the publicity-effective self-portrayal of diversity efforts by some companies can quickly give the impression that it is not a profit-oriented company, but rather a state welfare institution. However, diversity efforts must also always be seen in the light of the overall objective of the profit maxim.

Thus, ethical-moral, legal or image-promoting goals are certainly pursued - but above all, a company simply pursues economic goals [5]. However, it is not undisputed that Diversity Management necessarily leads to economic success.

The danger is primarily seen when interrelationships are neglected and the focus is only on quotas. In this case, the individual potential development of employees is undermined and employee satisfaction is jeopardized. Diversity Management is therefore more than just the general development of company-wide measures with the goal of promoting a specific target group up to a quantitative level.

4. Approach and causal research on the War of Talents

4.1. Defining the War of Talents

The term War of Talents was first coined in an analysis by Steven Hankin in 1997, who was then working on behalf of the management consultancy McKinsey. Hankin looked at the U.S. market and saw its impact on the War of Talents primarily in personnel recruitment [9].

Since then, the War of Talents has been understood as the recognition of the strategic importance of human capital, because better talent creates enormous value. In the meantime, the definition has been subject to a certain dynamic and is to be understood more broadly. The definition thus encompasses a company's constant efforts to attract and retain the required talent in the desired scope and at the right time.

The goal of becoming, being and remaining an Employer of Choice in the War of Talents is high on the priority list of many companies [10]. The need for a "war" arises from the following section on the shortage of skilled workers. The signs of such a development could already be seen several years ago.

Whereas the War of Talents at the end of the 1990s was still limited to personnel recruitment, today personnel retention is also of central importance. Therefore, measures to increase employee satisfaction, emotional attachment and identification with the company are also instruments in the war. Diversity Management can be a promising strategy for achieving employee satisfaction and identification with the company.

In this context, it is also claimed that a company's diversity efforts serve to enhance its attractiveness as an employer and are due exclusively to the wishes of the recruiting departments [11].

However, it also warns against leaving employee retention and development out of the equation [13]. For example, the positive integration of foreign specialists would increase employee retention - measured by the fluctuation rate. These diversity measures can also shape and improve corporate communications.

It stands to reason that employers who are exemplary in terms of working conditions, development opportunities and working atmosphere are considered popular employers among job seekers and employees.

This does not make the War of Talents any easier to oversee. In contrast to the time when the term was coined, today it includes not only personnel recruitment but also personnel retention [14].

Incidentally, companies are not the only players in the War of Talents. Society and politics bear at least as much responsibility. The example of cultural diversity shows that inequality of opportunity and existing cultural and language barriers are reasons for foreign skilled workers and their families to decide against moving to Germany despite suitable job offers. This was the first time that the focus was broadened and the responsibility for increasing migration was placed not only in the hands of business. This example can also be applied to other dimensions of Diversity Management and other fields of action in the War of Talents.

4.2. Causal research

4.2.1. Demographic change

Demographic change is seen as the main cause of the shortage of skilled workers and the resulting War of Talents. Demographic change is subject to the factors of birth rate, death rate and migration. All three factors have a direct influence on the population structure.

In 2060, every third inhabitant of Germany will be older than 65. At the same time, the birth rate of 1.5 children per woman is below the EU average. Recent political efforts have halted the downward trend in the birth rate. Nevertheless, it is still below the target value that would be required to prevent the population from melting.

Migration, on the other hand, is rising, but is also unable to sustainably maintain the population level. This is also because immigration has reached its maximum level due to social skepticism and concerns.

These three factors also have a massive impact on the labor market in Germany.

Four-fifths of companies (81 percent) see demography-related HR risks in the areas of talent management, career planning and succession planning [1]. At the same time, all three factors offer areas for action and approaches to mitigate the consequences of demographic change.

Unlike the risks, these do not only relate to the area of personnel recruitment. The goal is also to strengthen staff retention through appropriate retention management and to apply knowledge management and needs-based HR tools for older employees as well.

Diversity Management cannot only be seen as a measure for personnel recruitment. 82 percent of companies see an increasing need for flexible models for a smooth transition to retirement. This is also necessary to eliminate existing disadvantages for existing staff. After all, deficiencies can be mitigated by enabling knowledge transfer. It is therefore also a matter of enabling a combination of part-time work and retirement or other forms of accommodation for older employees. Policymakers have also joined these efforts. For example, the limits on additional earnings and the rules for taking into account earned income when drawing a pension at the same time have been changed so that employment also appears attractive at retirement age.

Looking at the causes of the shortage of skilled workers is important for developing countermeasures. Therefore, if measures are to be designed to increase the number of people in employment, they must be measured against the factors mentioned at the beginning.

4.2.2. Shortage of skilled workers

First of all, the concept of the War of Talents must be differentiated from the shortage of skilled workers. A shortage of skilled workers is a condition that can be traced back to various causes. The War of Talents is the consequence of this. It is a reaction of companies

that follows the shortage of skilled workers. The causes of a possible shortage of skilled workers will be the subject of this section.

The requirements in the HR area have been increasing for years. In some roles and areas of competence, the market currently seems to offer no resources or only a small proportion of interested candidates have the desired profile from the company's point of view [15].

By not filling jobs, the shortage of skilled workers not only threatens the growth of the company and the economy as a whole, but also leads to the loss of knowledge recruitment [4].

Skilled workers are ostensibly understood to mean key positions in the company. In other words, employees who were responsible for above-average value creation. Starting in the 1990s, all STEM professions were characterized across the board as being "affected by the shortage of skilled workers". In the meantime, the term "shortage of skilled workers" has been hastily applied to all other professions, where individual jobs cannot be filled on an ad hoc basis. This dilutes the term and rightly gives rise to critical questions as to whether there really is a shortage of skilled workers.

The Association of German Chambers of Industry and Commerce, for example, describes a shortage of skilled workers also in the professions of the hospitality industry, the security industry and road haulage. The core question of what is meant by skilled workers in the first place is crucial for determining whether there is a shortage of skilled workers at all. It is true that the prevailing opinion considers the impending shortage of skilled workers to be indisputable [16]. However, there are also authors who have discovered sufficient human resources that only need to be qualified according to demand. To put it bluntly, one could say that a shortage of skilled workers is at best the consequence of a lack of qualifications [17].

According to the definition of the German Federal Employment Agency, a shortage of skilled workers exists when jobs remain unfilled for longer than average and there are fewer than 150 unemployed persons for every 100 job offers - or when there are even fewer unemployed persons than registered jobs.

A blanket assertion that there is a shortage of skilled workers must therefore always be questioned in terms of desired profiles and qualifications as well as the regional labor market.

Demographic change is the main possible cause of the shortage of skilled workers [18]. This is due to declining birth rates and an aging society, which have already been described in the previous section. At the same time, however, the reason given is that the local labor market is not being used efficiently enough. Companies must therefore goal to develop and qualify the resources available on the labor market.

Germany's inhospitable attitude toward migration is also cited as a contributory (cause) of the shortage of skilled workers. This finding followed from an empirical study of engineering professions. At the same time, the shortage of skilled workers should not be reduced to problems in recruiting personnel alone. Because with a lower unemployment rate, the number of employee terminations will increase, which will increase the intention of employers to retain employees [19].

Retention management is thus becoming more important, as it is at least as crucial to retain the skilled employees gained to the company as it is to simply recruit them. According to a representative survey, a poor working atmosphere is still the number one reason for employee turnover [8].

In order to defy the shortage of skilled workers, a focus must therefore also be placed on job embeddedness. This encompasses the sense of being integrated, connected or rooted and serves to promote employee loyalty. Job embeddedness includes building networks or offering company kindergartens. This is because bonding family members can have a similar effect as bonding the employee himself [19].

The link between Diversity Management and the shortage of skilled workers is discussed in the literature. According to this, the following prerequisites must be created in order to counteract the shortage of skilled workers: compatibility of family and career in order to support the needs of women and families, promoting the employment and qualification of older employees, promoting and valuing job seekers with a migration background, and creating opportunities for young people interested in training and late starters. However, this list appears too general and can at best be seen as a list of possible measures.

4.2.3. Potential labor force

In order to identify a target group in the context of the war of talent, it is essential to consider the potential labor force.

The labor force potential is considered the measure for determining the labor supply. However, it is not the same as the number of unemployed. Rather, the labor force potential also includes the number of employed persons and the hidden reserve.

The hidden reserve is defined as persons who are not initially available to the labor market, but who would be willing to do so if working conditions changed. It also includes people who are looking for work but do not register with the employment agency because they are not entitled to benefits. These include, for example, housewives or university graduates. It is difficult to determine reliable figures for the hidden reserve because this group of people is not statistically recorded in Germany. According to the Institut für Arbeitsmarkt- und Berufsforschung (Institute for Labor Market and Vocational Research), the hidden reserve is currently estimated at around 1 million people in Germany, although the number has already fallen significantly due to improvements in working conditions.

If the potential labor force cannot therefore be reliably surveyed, but rather merely estimated, it finds its natural limit in the total number of people of working age.

In order to develop Diversity Management with the goal of exploiting synergies in the War of Talents, it would be crucial not only to collect the actual data mentioned above, but also to know the number of people who fall into each diversity dimension.

Furthermore, from a business perspective, actual data collection should be limited to the regional labor market. The downward trend in the labor force potential will intensify the War of Talents. At the same time, the quantitative view will be the focus of strategic measures in the War of Talents [14]. This is particularly true if only individual target groups are to be addressed within the framework of Diversity Management.

5. Discussion

It remains to be said that Diversity Management pursues more goals than simply combating the shortage of skilled workers. Nevertheless, the War of Talents is undoubtedly one of them.

It was also noted that there may be other causes for the shortage of skilled workers. Whereas the War of Talents is primarily related to personnel recruitment, there could also be levers against the shortage of skilled workers in employee retention and knowledge management.

Diversity Management, for example, also relates to existing staff.

The direct relationship that more Diversity Management equals less shortage of skilled workers is misguided, since the causality is more complex and depends on other factors.

Corporate Diversity Management is only one of the ways in which disadvantages and barriers can be reduced. The influence of corporate Diversity Management on the discrimination of individual groups of people is weighted differently in each dimension. However, it is undisputed that Diversity Management is directly related.

It can also be assumed that successful Diversity Management addresses disadvantaged groups of people in the aforementioned dimensions.

Wrongly understood diversity measures can have just as much damage in terms of corporate culture and personnel recruitment (keywords: corporate language English, positive discrimination through quota regulations).

Internationalization, globalization, organizational change, competitive pressure and corporate governance are cited as reasons for Diversity Management [7]. The shortage of skilled workers is missing from the list.

On the other hand, it had to be stated that the potential for securing the demand for skilled workers in Germany is not nearly exhausted [8].

We also saw the strong links with politics and other stakeholders, whose roles probably cannot be considered separately from the corporate role. So we found not only that management is very complex, because each individual dimension has different requirements. But also because different roles can influence diversity and the War of Talents. The challenge of mastering this complexity and responding to the individual needs of the employee while taking the company's requirements into account is ultimately the responsibility of the manager. It is the task of management to identify individual fields of action and dimensions and to derive goals from them. Ultimately, however, it is the manager who is responsible for implementation.

Given the interconnectedness and complexity of Diversity Management described here, it must be assumed that a structured, written diversity strategy is required for successful positioning in the War of Talents.

Only in this way can managers be enabled to manage the complex requirements described in the previous sections and the necessary measures.

Therefore, the thesis is put forward that in order to be able to use the opportunities and possibilities of a Diversity Management for the War of Talents, a structured and written diversity strategy is required. It must be communicated throughout the company and become part of the corporate culture. This is the only way to avoid the risks of Diversity Management.

The consequences and causes of a shortage of skilled workers are manifold and can only be fully understood from a company-wide perspective.

The actions of managers therefore require clear guidelines and defined goals. The entire workforce must be aware of management's expectations.

If there is no strategy, managers do not know which dimension is considered a special field of action. They do not know which specialists with the future orientation of the company are required and which measures and instruments in Diversity Management are available to them. Without a strategy, there can be no Diversity Management, but only a multitude of unstructured individual diversity measures that do not pursue any overriding corporate goal.

6. Conclusion

In the first section of this paper, the concept of diversity was concretized and it was explained that it is distinct from the concept of Diversity Management because it refers not only to the corporate cosmos, but rather to society as a whole.

The origin of diversity considerations goes back to homosocial and behavioral science theories and can thus be traced back to an essential component of human existence and the human psyche. It has been noted that there can be different perspectives for diversity dimensions. It is obvious to be guided by the constitutional dimensions that have found their way from the Basic Law into other federal laws.

However, there are also views that all differences, including those based on characteristics, behavior, opinions and competencies, can be covered by diversity. In addition to an initial definition of the goals, it was also explained that diversity also

involves risks and that the guiding principle "the more diversity the better" is not permissible.

All of these risks can only be avoided through a firmly anchored strategy, which provides managers with the necessary transparency, expectations and tools. Only by eliminating these weaknesses can the risks of Diversity Management be un-tainted and the successful impact on the War of Talents be achieved.

Finally, however, it should be mentioned that other stakeholders, who should not be underestimated, play a decisive role over which companies have no direct influence. This refers to politics and society.

A foreign specialist is unlikely to decide in favor of employment abroad if there is no legal basis for permanent residence and if there is discrimination against his family in the everyday environment. Even if the employer has an exemplary Diversity Management.

The success of diversity is therefore never dependent on the activities of one individual, but must always be evaluated in the overall context of other influences.

References

[1]   Heindl, Stefanie und Süßmuth, Bernd (2014): „Kaum gerüstet für die Realität", in Personalmagazin 01/2014

[2]   Gaedt, Martin (2014): Mythos Fachkräftemangel, Weinheim: Wiley-VCH-Verlag

[3]   Franken, Swetlana (2015): Personal: Diversity Management, Wiesbaden: Springer Verlag

[4]   Bollessen, Doris (2016): Der fortschreitende Fachkräftemangel infolge des demographischen Wandels, Hamburg: Diplomica Verlag

[5]   Hilb, Martin (2011), Integriertes Personal-Management (20. Auflage), Köln: Luchterhand Verlag

[6]   Kaiser, Wolfgang (2008): Diversity Management – Eine neue Managementkultur der Vielfalt, Berlin: Simon Verlag für Bibliothekswissen

[7]   Weckmüller, Heiko (2013): Exzellenz im Personalmanagement, Freiburg: Haufe-Verlag

[8]   Pauser, Norbert & Wondrak, Manfred (2011): Praxisbuch Diversity Management, Wien: Facultas Verlags- und Buchhandels AG

[9]   Yavuz, Derya (2013): Personalbindungsmanagement als Strategie gegen den Fachkräftemangel, erschienen in Praxisorientierte Personal- und Organisationsforschung von Reiner Bröckermann, Band 17, München: Rainer Hampp Verlag

[10] Hankin, Steven M. Artikel „the war of talent", im Rahmen einer Untersuchung von McKinsey im Jahre 1997, abgerufen unter http://www.executivesondemand.net/managementsourcing/images/stories/artigos_pdf/gestao/The_war_for_talent.pdf

[11] Vedder, Günther & Reuter, Julia (2008): Glossar: Diversity Management und Work-Life-Balance, München: Rainer Hampp Verlag

[12] Müller-Vorbrüggen, Michael und Radel, Jürgen (2016), Handbuch Personalentwicklung (4. Auflage), Stuttgart: Schäffer/Poeschel-Verlag

[13] Arenberg, Petra (2008): „Mythos Diversity", in Personalmagazin 02/2018

[14] Kettner, Anja (2012), Fachkräftemangel – Fakt oder Fiktion, Bielefeld: Bertelsmann-Verlag

[15] Krüger, Kathy (2018): Herausforderung Fachkräftemangel, Berlin: SpringerGabler Verlag

[16] Gorges, Heike (2017): „Mangelberuf HR", in Personalmagazin 05/2017

[17] Stuber, Michael (2009), Diversity – Das Potenzial Prinzip, Köln: Wolters Kluwer Verlag

[18] Domroese, Kai (2008), Den Fachkräftemangel durch die Personalentwicklung vermeiden, Saarbrücken : VDM-Verlag

[19] Biersack, Wolfgang; Kettner, Anja; Schreyer, Franziska (2007): Fachkräftebedarf: Engpässe, aber noch kein allgemeiner Ingenieurmangel. (IAB-Kurzbericht, 16/2007), Nürnberg