



# The rise of skills-based talent strategies

How they are revolutionizing workforce optimization

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# 01 Introduction

Skills are the new currency for the workforce. Organizations can no longer simply look at who might have similar experience to jobs that need to be filled. Instead, they must consider what skills are needed for the organization to thrive, both now and in the future.

Advances in technology and automation, as well as shifts to virtual and hybrid ways of working, have created a need for new skills, while making others obsolete. This trend will only accelerate as artificial intelligence (AI) and generative AI (GenAI) become increasingly integral parts of an organization's operations.

The good news is that 59 percent of human resources (HR) leaders responding to a Gartner survey consider critical skills and competencies a top priority. However, 47 percent reported not knowing what skills gaps their current employees have.<sup>1</sup> That needs to change. Organizations must shift their workforce thinking and deploy a robust talent-first approach, with skills as the organizing principle in workforce decision-making.

Adopting a skills-first workforce is not merely a trend; it's a strategic imperative for organizations aiming to navigate the complexities of the modern business landscape. It offers a pathway to increased agility, diversity, employee engagement, and competitiveness, positioning companies to succeed in an era of rapid change and innovation. However, as organizations embrace this approach, they must navigate challenges related to technology adoption, culture change, and skills parity.

The future will likely see a more integrated ecosystem where education, industry, and government collaborate to cultivate a dynamic, skilled workforce prepared to meet the demands of the digital age.

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<sup>1</sup> Source: Gartner, "Top 5 priorities for HR Leaders in 2022."



# A pivotal shift in workforce thinking

Historically, HR has looked at roles or positions—an accountant or a financial analyst, for example—to fill gaps in the organization. But the search didn't necessarily focus on the actual skills that were needed to fill existing gaps.

For example, a company may determine it needs to hire a software engineer. That's hiring for the role. But software engineers are in high demand and command high salaries. In contrast, a skills-based organization hires for the skill needed and not the role. So instead, an organization can decide what skills are needed, and an individual with

a background in another type of role, such as a web developer, may just have the skills the organization needs and may be able to manage software engineer tasks at a much lower salary. That's hiring for skills.

This movement towards a skills-first strategy marks a pivotal shift in how organizations view, value, and manage their workforce. This approach, emphasizing the importance of individual skills over traditional credentials like degrees or job titles, is gaining momentum for several compelling reasons:



## Addressing the skills gap

Rapid technological advancements and evolving business needs have led to a significant skills gap in some industries. A skills-first approach allows organizations to identify and bridge these gaps more effectively by focusing on the specific skills required for the future, rather than relying solely on academic qualifications or previous job titles.



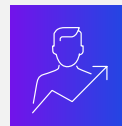
## Enhancing workforce agility

In a fast-changing business environment, organizational agility is paramount. A skills-first strategy equips companies with a more flexible workforce, capable of pivoting in response to new challenges, technologies, and market opportunities. Employees with diverse skill sets can be redeployed more easily, facilitating rapid adaptation.



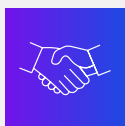
## Promoting diversity and inclusion

Traditional hiring practices often inadvertently exclude talented individuals who may lack conventional qualifications but possess valuable skills. By prioritizing skills, organizations can create more inclusive hiring practices that value diverse experiences and backgrounds, contributing to a richer, more innovative workplace culture.



## Maximizing employee potential

A skills-first strategy recognizes and nurtures the unique abilities of each employee, encouraging lifelong learning and career development. This approach helps individuals realize their full potential by offering targeted upskilling and reskilling opportunities, aligning personal growth with organizational goals.



### Improving talent attraction and retention

With the competition for talent intensifying, offering meaningful career development opportunities based on skills growth can make organizations more attractive to prospective employees. Additionally, a focus on skills development and internal mobility can enhance employee engagement and retention by demonstrating a commitment to their professional growth.



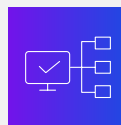
### Optimizing talent allocation

By understanding the skills within their workforce, organizations can optimize the allocation of talent across projects and initiatives. This ensures that the right people are working on the right tasks, maximizing efficiency and productivity while reducing the time and cost associated with finding external talent.



### Future-proofing the organization

As the future of work continues to evolve, a skills-first strategy prepares organizations for emerging trends and technologies. By continuously assessing and developing the skills of their workforce, companies can stay ahead of the curve, ensuring they have the capabilities needed to thrive in an uncertain future.



### Data-driven workforce decisions

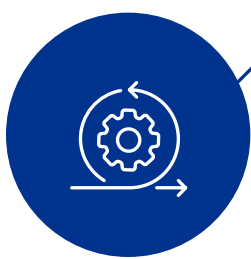
A skills-first approach is inherently data-driven, relying on detailed insights into the skills landscape of the organization. This enables more strategic workforce planning, talent management, and decision-making, underpinned by a clear understanding of the organization's capabilities and needs.

# 03

## Effects of GenAI

The increased use of automation, and now GenAI, is another element for organizations to consider as they evaluate their workforce's skills. Although a skills-based organization will necessarily include automation and GenAI for certain tasks, the goal will be not to replace individuals with automation but to augment or enhance the work they perform. A skill-based talent strategy allows organizations to focus on the AI skills needed for these evolving roles.

Here are some ways GenAI will augment a skills-based talent strategy.



Adopting GenAI can enhance employees' basic and intermediate skills, elevating their efficiency and effectiveness within their roles.



Leveraging AI can supplement the skill sets of employees, enabling them to perform tasks more accurately and promptly, leading to an overall gain in human capital.



Adopting GenAI is a strategic move that expands the portfolio of skills across the organization and empowers employees to navigate complex tasks with ease.



Emphasizing skills over job titles allows for more flexibility in assigning tasks and enables the organization to better leverage the potential of advanced technologies such as AI.

# 04

## The market benefits of a skills-first strategy

In addition to creating better employee experiences, a skills-first approach to talent can help achieve success in the market by helping the company transform into a more efficient, effective, and customer-focused organization. Following are some specific benefits:

Adaptability to market changes	Cross-functional collaboration	Improved flexibility	Reduced skills gaps	Cost efficiency
Firms are positioned to quickly adapt to changes in the market by having a workforce with diverse and adaptable skill sets.	Cross-functional collaboration is encouraged and facilitated, as teams are assembled based on complementary skills, fostering a culture of knowledge sharing and collaboration. Cross-functional teams with the right skills can create efficiencies and are better equipped to meet project requirements, resulting in higher-quality deliverables.	The formation of dynamic and flexible teams is enabled; these teams can quickly adapt to changing requirements, leading to increased agility in execution.	Skills gaps within the team are found and addressed, allowing for targeted training and development initiatives to enhance overall capabilities.	Investing in existing employees' skills and knowledge through targeted training and development programs can reduce the need to hire new staff or engage in expensive external training programs, which can save costs in recruitment and HR budgets.

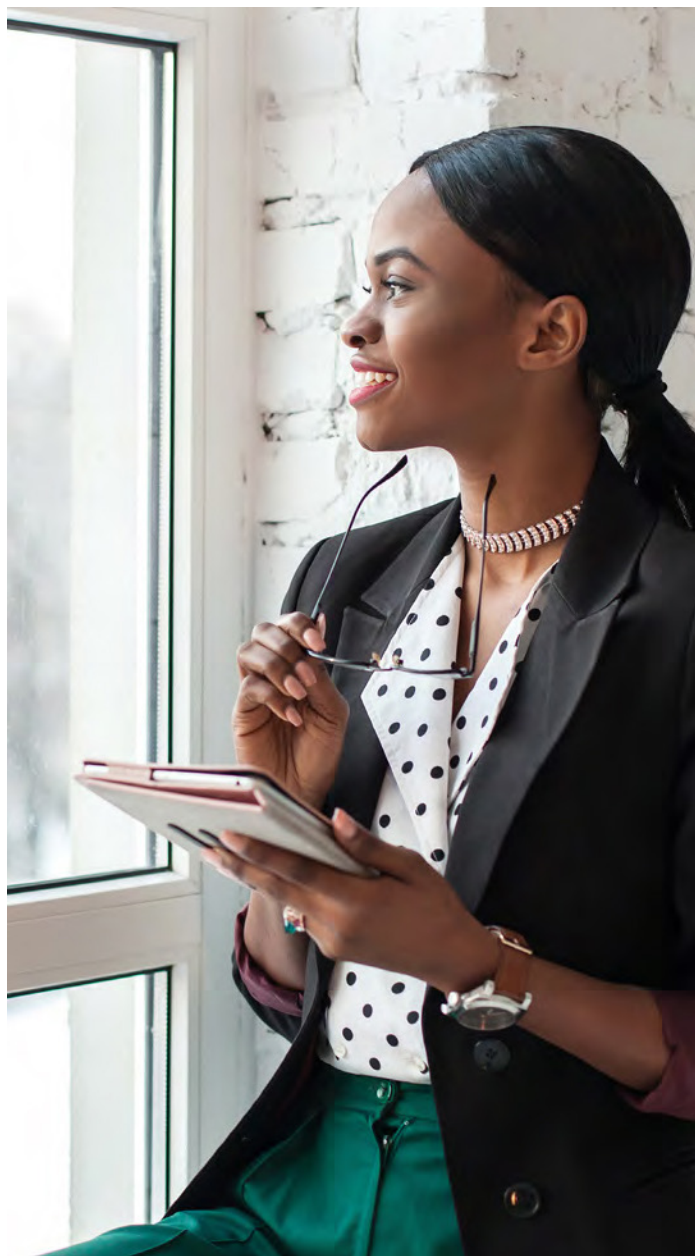
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## Where to begin

One of the biggest obstacles to transforming into a skills-first organization is overcoming old ways of thinking and traditional practices. To create a successful skill-based approach to talent, a holistic cultural shift is needed within the organization. The first step is to gain leadership's understanding and support by explaining the long-term benefits of a skills-based culture. Once leadership is on board, the concept must then be cascaded down through the levels of management. It is crucial to ensure that line managers—who do the hiring—are on board and understand the concept. They will bring the skill-based approach to life through the way they create job requisitions and hire for the organization.

This cultural shift will take a concerted effort from HR with considerable support from leadership. But the goal is attainable and the benefits significant.

Moving toward a skills-based organization will also likely involve some changes and additions to HR and enterprise technology. It's important for companies to assess where they are in terms of technology and how best to allocate investments in new resources, if needed.



# 06

## The skills-first journey

Adopting a skills-based philosophy can be described as a journey, where organizations move through different stages of maturity in implementing a skills-based approach.

Stage		Key actions
1	<b>Awareness and commitment</b> Organizations at this stage recognize the value and importance of a skills-based philosophy. Leadership begins to commit to transitioning towards skills-focused strategies, but concrete actions and systemic changes are still in the early planning stages.	Identifying champions within the organization to drive the skills-first agenda, conducting an initial assessment of the current talent strategy's gaps, and setting a vision for integrating skills into hiring, development, and deployment practices.
2	<b>Pilot and experimentation</b> The organization starts small-scale pilots or experiments with skills-based hiring, learning, and development practices in specific departments or roles. Initial frameworks or tools for identifying and assessing skills are introduced.	Implementing pilot projects, gathering data and feedback, training managers and HR teams on skills-based approaches, and beginning to establish a common skills language or taxonomy.
3	<b>Integration and expansion</b> Based on the successes and learnings from pilot projects, the organization begins to integrate skills-based practices more broadly. This involves aligning learning and development, hiring, and workforce planning processes with the skills-first philosophy.	Expanding the use of skills frameworks across the organization, integrating skills into performance management systems, and leveraging technology to support skills tracking and development.
4	<b>Optimization and alignment</b> At this stage, skills-based practices are well-integrated into the organization's operations. The focus shifts to optimizing these practices for efficiency and alignment with business objectives. Advanced analytics are used to forecast skills needs and guide strategic workforce planning.	Refining skills assessment tools and methodologies, using data analytics for predictive planning, aligning skills development with future business needs, and ensuring fair access to learning and growth opportunities.
5	<b>Talent ecosystem transformation</b> The organization has fully adopted a skills-first culture where skills are the primary currency for talent management. The focus extends beyond the organization to influence the broader ecosystem, including suppliers, partners, and the industry.	Advocating for skills-based practices in industry groups and with educational institutions, contributing to public policy discussions on workforce development, continuously innovating on skills development and recognition, and sharing leading practices within the broader ecosystem.

Progressing through these levels requires sustained commitment, strategic planning, and the willingness to learn and adapt. Organizations that reach the higher levels of the maturity model are likely to experience significant benefits, including improved talent mobility, greater workforce agility, and enhanced capacity for innovation.

# 07 Conclusion

The future of workforce management lies in a skills-based approach. As technology continues to evolve and reshape the business landscape, organizations must adapt by focusing on the skills needed to thrive in this new environment. This shift requires a radical change in thinking and culture and a commitment to developing a robust talent strategy. By embracing this approach, companies can enjoy many benefits such as enhanced project performance, adaptability to market changes, improved flexibility, and cost efficiency.

However, the journey to becoming a skills-based organization is not without its challenges. But with the right commitment and strategic approach, organizations can successfully navigate this transition and build a workforce that is ready for the future.





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