Why Skills-Based Companies Will Win the Talent War

Keep your workforce agile and ready to face the competition

The widening skills gap is one of the biggest challenges businesses face today. A whopping **98% of companies** report significant skills gaps. Due to factors such as a challenging macroeconomic environment and ongoing talent shortages, many organizations lack the resources needed to address this issue.

At that same time, a majority are rethinking the traditional, job-based organizational structure. As many as 98% of executives are moving toward a skills-based model in their companies to remain agile and competitive, according to **research from Deloitte**. This is necessary to keep up with the rapid evolution of skills required — as many as **10% more skills** needed per year for any job — as well as the rapid evolution of technologies in the workplace. The shift to a skills-based model is essential for how organizations define the future of work, **according to 89% of business leaders.** They believe this approach will alter how talent is deployed across the company and careers are managed to foster innovation and productivity.

A key part of this evolution is the agile shift to skills-based work versus competency-based work. With that in mind, here are three organizational processes businesses can focus on to start integrating a skills-based approach.

Three ways to take a skills-based approach to your people practices

Skills-based **hiring** ensures qualified candidates don't get overlooked

Skills-based **development** through ongoing upskilling and reskilling keeps employees engaged and learning in the flow of work

Skills-based **mobility** allows employees to adapt to new roles, technologies, or projects

Skills-based hiring

The historical practice of competency-based hiring and its associated degree requirements has caused many highly qualified candidates to be overlooked. When organizations widen specifications to include both degree-based and skills-based applicants, they welcome a broader, more diverse pool of candidates. **McKinsey** found that skills-based hiring was five times more predictive of overall job performance than hiring for education and two times more predictive than hiring for work experience. There was also evidence that these employees demonstrated longer tenure than degree- or experience-based hires, creating significant cost savings for companies that did not have to backfill positions as often.

Skills-based development

Gaining new skills is not a "one-and-done" event for employees. Upskilling and reskilling need to happen on an ongoing basis to drive long-term results and keep pace with innovation, and employees understand that a focus on skills is a growing priority for many organizations. **Research from Deloitte** found that employees are open to growing their skills based on company needs, with 76% of employees agreeing that receiving targeted learning, development, and reskilling opportunities from their employer would improve their work experience.

Skills-based mobility

Skills-based learning improves employees' agility, strengthening the ability to adapt to new roles, technologies, and projects. This is more essential than ever in today's fast-paced and evolving workplace. According to Deloitte, **81% of executives** say work is increasingly performed across functional boundaries, highlighting the importance of internal mobility. And workers are willing to face this challenge: **77% of the global workforce** is ready to learn new skills or completely retrain outside their daily work if it will help move their company or their career forward.
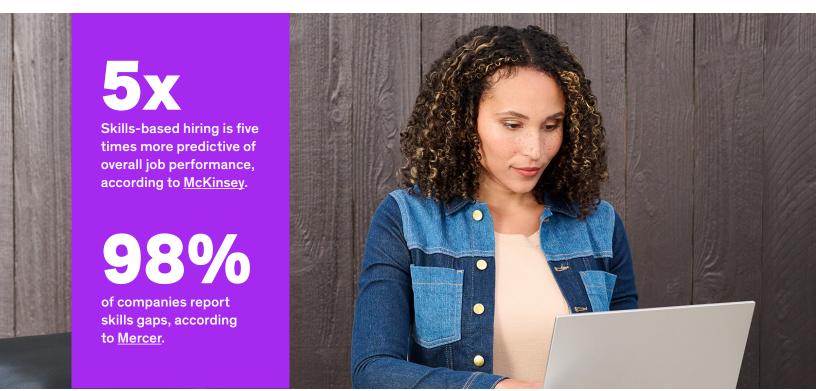
> **❝❞ A focus on skills has been a dream for many decades**, but it's finally becoming an attainable reality because of the unprecedented skills in the workforce and advances in the technologies that can organize, assess, and use skills to make AI-driven talent selection and development decisions.
>
> **Brenda Sugrue**, Global Chief Learning Officer at EY

How to create a skills culture

As Head of HR Business Partners at Prudential, **Vicky Walia** creates an organizational culture of upskilling and reskilling by focusing on skills. Here's how she describes it: "We built a skills platform that can automatically scrape people's resumes and LinkedIn profiles to help us understand the talent we have at our disposal," said Walia. "We then asked people to go in and confirm those skills were accurate, so we can match them to opportunities, both today and in the future."

The results? Lower employee turnover and an increased focus on internal mobility. "Our internal mobility rates went from around thirty-eight percent historically to around fifty-eight percent — which is a pretty significant detail," said Walia.

5x
Skills-based hiring is five times more predictive of overall job performance, according to McKinsey.

98%
of companies report skills gaps, according to Mercer.

Ultimately, companies who leverage a skills-based approach to learning will benefit employees by helping them expand and increase their skill sets. It will also help build organizational capabilities and skills to prepare and be ready for a future that is always right around the corner.

Learn more about how to leverage a skills-based approach to employee development with Udemy Business.

About Udemy Business

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Udemy Business enables employers to offer on-demand learning for all employees, immersive learning for tech teams and cohort learning for leaders. With our complete learning solution and strategic partnership, we provide relevant learning at scale so organizations can build agile workforces and achieve critical business outcomes.

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