

Skills-Based Organizations: An Introduction

What is a skills-based organization?

A skills-based organization is one that places a strong emphasis on identifying, developing, and utilizing the skills and abilities of its workforce. In a skills-based organization, the focus is on the capabilities and competencies of individuals rather than traditional job roles or hierarchical structures. This approach aims to maximize the potential of employees and align their skills with the goals and needs of the organization.

By adopting a skills-based approach, organizations aim to create a more adaptable, efficient, and innovative workforce that can effectively navigate the challenges of a rapidly changing business landscape.

Why should we build a skills-based organization?

Organizations may consider transitioning to a skills-based approach for several reasons, as it offers various benefits that align with the dynamic nature of the modern workplace. Here are the top ten reasons why organizations might choose to become skills-based:

1. Adaptability and Agility through Rapid Changes

In today's fast-paced business environment, technology, market conditions, and customer preferences change quickly. A skills-based organization can adapt more readily to these changes by focusing on developing and utilizing relevant skills.

Companies that adopt a skills-based approach are **57% more likely to anticipate change and respond effectively***

63% more likely to achieve results than those that don't adopt skills*

2. Efficient Talent Management and an Optimized Workforce

A skills-based approach allows organizations to identify and leverage the specific skills required for tasks or projects. This leads to better resource allocation, reduced skill gaps, and improved overall workforce efficiency.

3. Enhanced Employee Engagement through Personal and Professional Development

Employees are likely to be more engaged when they see their organizations investing in their skill development. A skills-based culture fosters a commitment to continuous learning, contributing to employee satisfaction and retention.

Companies are **98% more likely to retain high performers if they adopt a skills-based approach***

4. Talent Acquisition and Targeted Hiring

Organizations can attract and acquire talent more effectively by focusing on the specific skills needed for success in the roles. This targeted approach can streamline the recruitment process and improve the quality of hires.

Companies are **107%** more likely to **place talent effectively** if they adopt a skills-based approach*

5. Increased Collaboration and Cross-Functional Teams

A skills-based approach encourages the formation of cross-functional teams, where individuals with diverse skills collaborate to achieve common goals. This can lead to innovation and improved problem-solving.

6. Future-Proofing the Workforce by Anticipating Future Needs

By emphasizing skills over specific roles, organizations can better prepare for future industry trends and changes. Employees can be trained in emerging skills, encouraging their personal development and ensuring the organization remains competitive.

Companies that adopt a skills-based approach are **63%** more likely to **achieve results** than those who don't**

7. Performance, Results and Measurable Outcomes

Focusing on skills allows for more objective performance measurement. Organizations can track and evaluate employees based on their proficiency in key skills, leading to clearer performance metrics and goals.

8. Cost Savings and Resource Optimization

A skills-based approach helps organizations optimize their workforce, reducing the costs associated with hiring, training, and retaining employees who may not possess the required skills.

9. Diversity and Inclusion with an Emphasis on Inclusive Hiring

A skills-based model promotes hiring based on capabilities rather than traditional factors, fostering a more inclusive and diverse workforce.

10. Globalization and Remote Collaboration

In a globalized and remote work environment, skills become a universal language, making it easier for teams to collaborate across geographical boundaries.

Why SHL?

SHL is home to a comprehensive range of skills-related capabilities and offerings that support every stage of the talent lifecycle, from hiring and mobility decisions to identifying strengths and gaps in skills for individuals and teams.

Central to all these capabilities is a rigorous scientific foundation. SHL's tools empower organizations to accurately evaluate both soft and hard skills, facilitating informed talent decisions using proven and fair scientific tools. We firmly believe that validated, objective, and reliable insights into skills are essential for making informed talent decisions, fostering agility, and transitioning to a skills-based organization.



Interested in embracing a skills-based approach? Visit shl.com/skills