



KPMG Taseer Hadi & Co.
Chartered Accountants

The Rise of Skill-based Talent Strategies

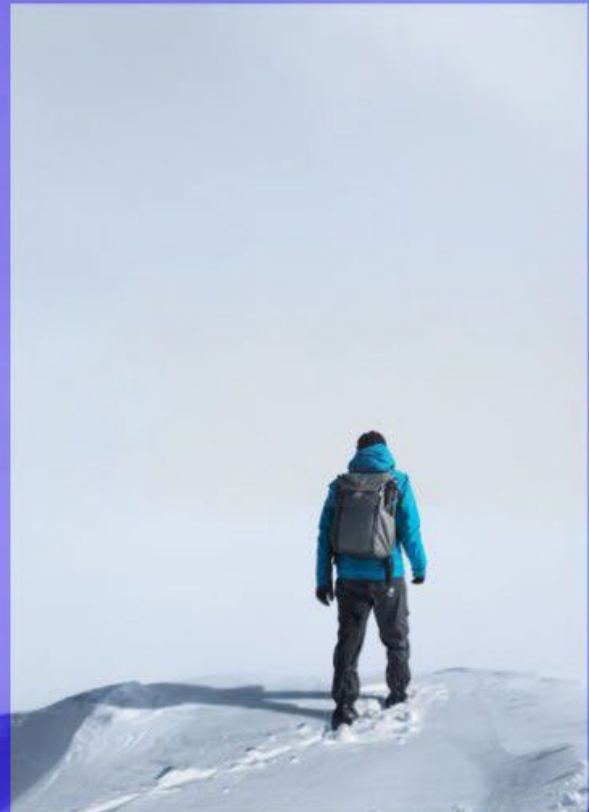
How they are redefining
workforce of the Future

People and HR Advisory

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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.

Unsettled employee-employer relationship, persistent skills shortage, rising impact of AI on organization and workforce and pressure for operational efficiency are driving these priorities for HR leaders. In 2024, as per the survey by Gartner, HR leaders say that:

75% Managers are overwhelmed by the growth of their job responsibilities

73% Leaders and managers aren't equipped to lead change

60% Uncertain about the impact of evolving technology trends, such as generative AI, on HR and talent

56% HR technology solutions and strategy do not match their current and future business needs

89% Career paths at their organizations are unclear for many employees

66% Agree career paths within their organizations are not compelling for many employees.

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 equity.

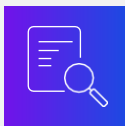
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A pivotal shift in workforce thinking

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 an investment banker. That's hiring for the role. But investment bankers 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 an investment banker, may just have the skills the organization needs and may be able to manage investment banking 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.



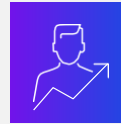
Enhancing workforce agility

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.



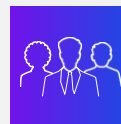
Maximizing employee potential

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 such as applying competency framework, 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.

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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.

KPMG's report on [The Future of HR: From Flux to Flow](#) has emphasized that the 'Great Reconsideration' has changed the way employees look for, and engage with, their work. Meanwhile, as HR functions navigate the future, timescales have shrunk from looking forward a decade to just three years ahead. As they do this, some are addressing new and emerging challenges more successfully than others. They are the Pathfinders preparing for the future by taking strategy to the next level; integrating digital and advancing relational analytics; building talent marketplaces; and putting purpose and wellbeing first.



Contact Us



Rana Nadeem, Partner
People & HR Advisory

+92 300 3527 170

rananadeem@kpmg.com



Shariq Latif, Assistant Manager
People & HR Advisory

+92 3182329 295

mshariq2@kpmg.com

home.kpmg/pk



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