Adopting a talent strategy based on competencies, not skills

The coronavirus pandemic changed the labour market, sparking debates about people quitting and the need for new talent management strategies that facilitate belonging and retention. **Victor Morris** *writes that companies need to invest in "competencies"—knowledge, skills, attitudes, and abilities—in their employees and job candidates. Competencies focus on the whole person, including their experience alignment and diverse ways in which they can perform a job and add value.*

Perhaps skills are the labour market's currency. If that were true, skilled employees would stay with companies and fair hiring practices would spread across industries. On the other hand, maybe knowledge, skills, attitudes, and abilities, or "competencies", are the portfolio assets that companies should invest in for employee belonging and retention.

Unsurprisingly, the coronavirus pandemic changed the labour market. It sparked debates about people quitting and the need for new talent management strategies. For example, more than forty-seven million Americans quit in 2021, costing businesses over $1 trillion. According to a recent US Bureau of Labour Statistics report, there were 10.7 million open jobs at the end of June 2022 compared to 7.3 million in June 2019.

As a result, companies of all sizes are changing how they attract and keep talent. Post-pandemic, employee experience factors like workplace flexibility and up-skilling trends continue to influence the labour market. When companies are asked about hiring practices that work, they often emphasise skills over degrees. In fact, a 2019 LinkedIn article states that 89 per cent of employers believe skills assessments are important for jobs requiring hard skills. Similarly, 69 per cent of professionals think verified skills are more important than college education for job seeking.

In this post, I argue that an updated competencies-based hiring approach is better than a skills-based one. Assessing competencies is recommended for people and companies navigating today's labour market because they focus on the whole person and their employability potential. In this case, 'potential' relates to employee experience alignment as well as diverse ways a person can perform a job and add to an organisation.

The World Economic Forum's Skills Taxonomy builds on historical psychology movements and defines competencies as a:

"… collection of skills, knowledge, attitudes, and abilities that enable an individual to perform job roles."

Competencies are an *investment portfolio* that does not rely on a single asset class. Instead, it uses diversified assets to reach long-term financial goals. The rest of this post examines skills-based hiring, competencies model benefits, and how to execute a competencies-driven strategy.

Figure 1. A candidate's diversified competencies portfolio
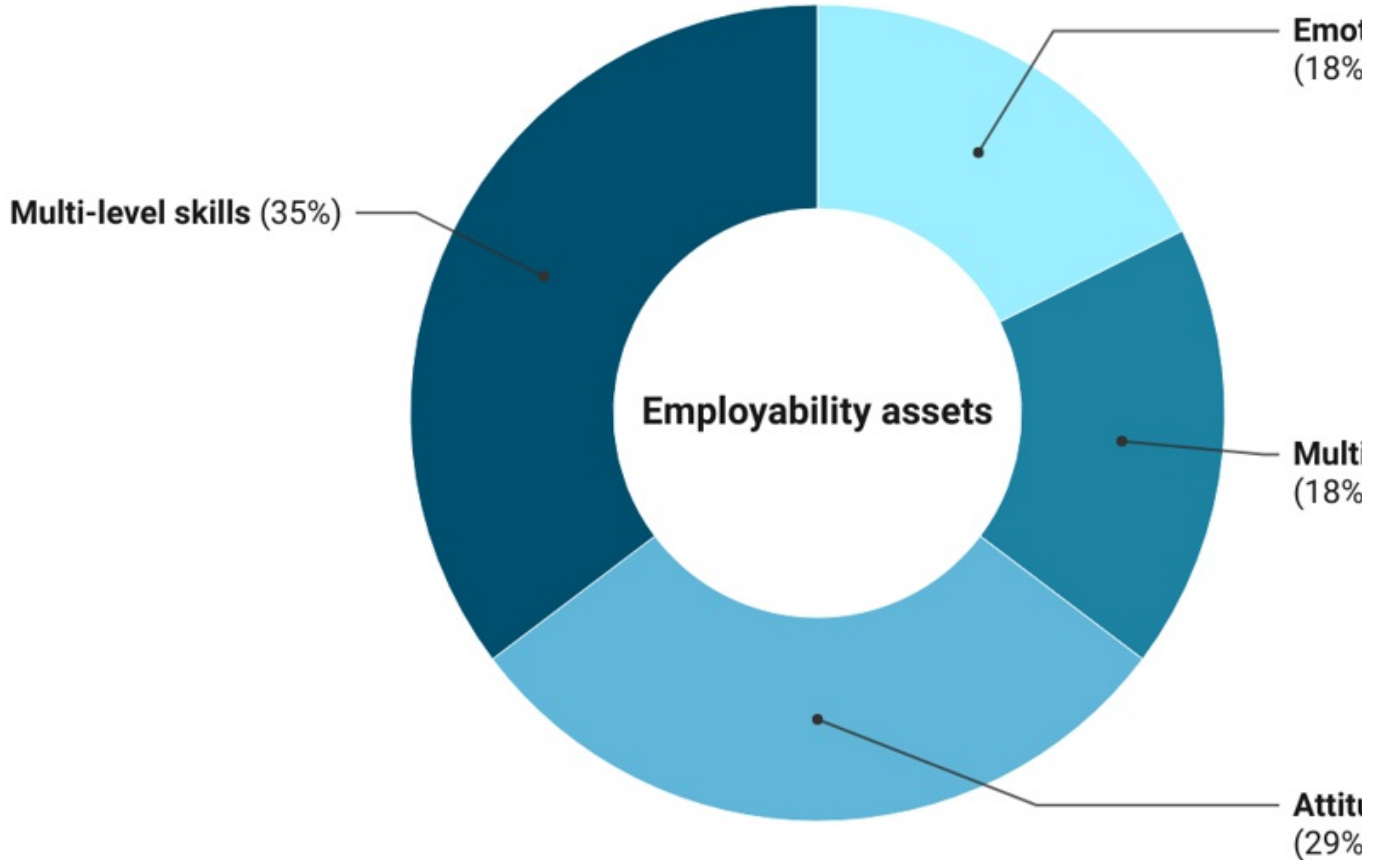
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Skills-based hiring benefits and risks

Benefits

Skills-based hiring improves historical practices prioritising degrees and work experience. Historical practices look at past performance and block qualified applicants from non-standard and less advantaged backgrounds. For example, a Harvard Business School study about hidden workers concluded that experience, employment gaps, and academic level were the top three reasons employers disqualified them.

Fortunately, focusing on skills better includes the workers mentioned above, according to LinkedIn CEO Ryan Roslansky. In this article, he stated that it diversifies talent pools and makes hiring more effective.

Risks

Although skills-based hiring is an improvement, it does not sufficiently align employee experience, organisational performance, and business outcomes. Also, when everything is a skill, nothing is one. Terms like "hard skills," "soft skills," "social skills," and "power skills" are often used to describe the capabilities needed to complete a job.

The problem with these phrases is that they combine distinct capabilities, knowledge types, behaviours, and beliefs. These categories signal how people engage tasks, information, people, and situations. For example, below is how the Harvard Business Review described "social skills" in a recent article.

"… certain specific capabilities, including a high level of self-awareness, the ability to listen and communicate well, a facility for working with different types of people and groups, and what psychologists call "theory of mind"—the capacity to infer how others are thinking and feeling."

The words "capabilities," "high level," "ability," "facility," and "capacity" are used to describe social skills. Mixing these categories shows how confusing and subjective skills descriptions can be if a standard reference such as the taxonomy is not used. To reduce confusion, the taxonomy categorises competencies by type, proficiency, and level.

Finally, most of the social skills description is the attitudes part of the "whole person" competencies portfolio. For instance, the taxonomy outlines "working with people, active listening, empathy, and self-awareness" as levels 2 – 4 attitudes, not social skills. Assessing a person's business communication skills and attitudes, like empathy, can improve the initial hiring process and identify potentially toxic leaders before they infect an organisation.

Diverse competencies enable inclusion and belonging

Balancing a person's practical knowledge, attitudes, and abilities in addition to their skills assets can also support diversity, inclusion, and belonging at work. For example, having a team with diverse cognitive abilities likely enhances client problem-solving by reducing unconscious biases like groupthink. This balancing also includes people from various physical ability backgrounds. In some cases, ableist skills descriptions like "high-level" could deter qualified applicants with disabilities.

Additionally, since skills are only one part of a person's competencies portfolio, they alone cannot enable workplace belonging. This gap is because belonging is influenced by attitudes-driven behaviours, emotional intelligence, and relationships. Attitudes that project representative leadership, social influence, feedback, and civic responsibility can foster belonging. They can also complement technology, business, and industry specialised skills.

Focusing on *core competencies* when revising resumes and job descriptions can have the same effect as diversifying an investment portfolio. Diversification reduces risk and responds to market conditions. For job descriptions, competencies reduce the risk that the skills and responsibilities are inaccurate, subjective, or biased. Diverse competencies also respond to job market conditions like a lot of open jobs because they can tap hidden talent pools.

Designing and executing a competencies-based strategy

How can employers and people in the labour force use competencies when advertising and looking for jobs?

A competencies-based strategy for employers

For employers, the resulting strategy could follow the diagnosis, guiding policy, and coherent set of actions framework:

- Diagnose talent management challenges and employee experience needs
- Develop a standardised guiding policy
- Execute coherent talent management actions

If using psychometric tests, they should focus on cognitive, drive, and emotional indicators quantifying applicants' attitude and ability employability assets.

A competencies-based strategy for people in the workforce

For people, understanding competencies and how they change over time is essential. Education, work-integrated learning, on-the-job training, and professional certifications are examples of how competencies change from foundational to experienced and advanced levels.

- Once people better understand their talent portfolio allocations, they can contribute to long-term career goals by:
- Prioritising employee experience factors like flexibility, fair total compensation, and meaningful work
- Using a standardised framework and personalised assessment policy

- Executing coherent career management actions like job role competencies audits, application materials revision, ideal job crafting, job posting analysis (internal or external), mentor network engagement

Competencies, like skills, are not the entire strategy. They are diversified employability assets in a talent portfolio built to welcome all talent as well as realise mutual values and goals.

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Notes:

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