Business Roundtable

Building a Business Case for a Skills-Based Talent Strategy

As companies compete for qualified talent in a tight labor market, too many employers overlook individuals who have relevant skills but do not have college degrees. A skills-based talent strategy offers a solution.

A **skills-based talent strategy** emphasizes a person's skills and competencies — rather than degrees, job histories or job titles — across the talent life cycle, from sourcing, recruiting and hiring to training, internal mobility and advancement.

Skills-Based Talent Strategy Creates Opportunity for Employers and Workers

Companies are increasingly adopting skills-based talent strategies to:

1. Expand Pools of Qualified Talent

Employers continue to cite talent and skill shortages as a key business challenge. By focusing on the skills rather than just degrees, employers can access a broader pool of potential talent.

- Skills-based strategies open doors to the nearly 63% of American adults without a degree.
- Skills-based hiring can add up to 20 times more eligible candidates to talent pools.
- Some employers report reduced time to hire with a skills-based approach.

2. Enhance Performance and Productivity

Employers can better match workers with roles using skills-based strategies. Also, skills-driven learning and development is crucial in the context of rapidly changing role requirements.

- Hiring for skills is five times more predictive of job performance than hiring for education and two-and-a-half times more predictive than hiring for work experience.
- Employers using skills-based strategies saw a significant reduction in mis-hires.
- Employers adopting the skills-based talent strategy are more likely to report innovation and efficiency gains than those who have not adopted these practices.

3. Improve Employee Retention and Engagement

A skills-based talent strategy defines required skills and clear pathways for advancement — transparency that helps employees take greater ownership over their career growth.

- Employees without degrees hired for roles that do not require them have a 10% higher retention rate than those with degrees in the same position.
- Employees without degrees tend to stay in their jobs 34% longer than their counterparts with degrees.
- Nearly 63% of companies leading in skills-based practices report high positive impact on talent retention.

Steps to Outline a Business Case

1. **Define the business need(s) or problem(s)** that the skills-based talent initiative can address. These may include a talent shortage in a specific occupation, lack of relevant skills, job fit challenges, employee retention or others.

2. **Choose clear talent management goals and metrics** to address the business problem. The Business Roundtable Multiple Pathways Initiative (MPI) **Impact Measurement Framework** provides details on skills-based metrics selection, data collection and analysis, including:
   + Time to hire
   + Average time to proficiency/productivity or performance ratings
   + Mis-hire rate
   + Retention rate
   + Internal mobility rate

3. **Lay the groundwork to assess return on investment** by building data systems that capture key metrics, quantify benefits and assess new and ongoing costs associated with the strategy. It is important to recognize that cost savings do not capture the additional business value generated from increased productivity and innovation. Common costs **include**:
   + Redeploying existing staff or hiring new staff to manage the strategy and implementation.
   + Training to equip staff with new skills relevant to changing business needs and to help managers effectively implement a skills-based talent strategy.
   + Enhanced or new technology systems that collect and analyze talent metrics, inventory skills and roles, and connect training to career pathways.
   + New partnerships with talent sourcing or training providers, including those that provide work-based learning experiences.

Multiple Pathways Initiative

Through MPI, Business Roundtable member companies participate in a multi-year, targeted effort to widen employment pathways for Americans without college degrees. By emphasizing skills-based hiring and promoting, companies can more easily find and retain qualified talent and extend economic opportunity more broadly. Resources can be found at: **brt.org/multiple-pathways-initiative**.