

# Building skills-first organisations to navigate change

The emphasis on skills has been gaining momentum in recent years, with labour shortages in key sectors as well as a growing demand for employees with green skills. Fifty-four per cent of Malaysian CEOs polled in PwC's Global CEO survey highlighted labour/skills shortages as one of their main concerns with impact on profitability.

Taking a wait-and-see approach is not an option, amid the reality of persisting economic uncertainties, supply chain issues and an ageing society fast contributing to a shrinking labour force. Technologies such as artificial intelligence (AI) advancements are also presenting new implications to the future of jobs both locally and globally.

Fifty-one per cent of Malaysian employees polled in PwC's 2023 Workforce Hopes and Fears survey tell us their company will not be economically viable in 10 years' time if they continue on their current course. To address these challenges, organisations need to respond in an innovative and agile manner. Adopting a skills-first approach can help transform businesses to meet the demands of the evolving landscape.

## A framework for skills-first organisations

A skills-first organisation is one that structures its operations, processes and culture around the skills and capabilities of its employees. This means moving away from the constraints of a job description to more project-based team structures. While this practice may have been more common in matrix-based organisations in the past, its application in more hierarchical-based organisations (what most corporate structures are) will require a mindset change and new ways of doing things.

Based on recent research by the World Economic Forum (WEF) in collaboration with PwC, a framework that can be used in the context of a hierarchical-based organisation to transition to a skills-first organisation considers two aspects: key enablers; and key action areas.

Key enablers are tools and processes that support the adoption of skills-first approaches; key action areas are practical steps to begin implementing skills-first practices. Critical action steps to implementing a skills-first approach (as shown in the diagram) are enabled by nurturing a skills-first culture, policies and mindset and adopting a common skills language:

## Investing in a skills-first approach pays

A global energy group based in Malaysia is one of the organisations that has embraced the skills-first transition, bringing to a culmination decades of work in developing leadership competencies and amassing hundreds of skills areas reflecting both technical and non-technical competencies across its business groups.

With each new wave of a paradigm shift, such as AI and sustainability, the organisation leverages adjacent skills already available in its current competencies, enhancing the connections between competencies for cross-skilling and cross-development opportunities. It established an inside-out (individual to market) and outside-in (external validation) competency assessment process for both technical and non-technical skills, providing a systematic approach to analysing gaps in its employees' skills.

## TRUST IN Resilience

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With the aid of an AI-supported analytics database, the organisation links employees' skills to various career pathways and upskilling programmes. "Competency is the new currency" is a strategy to be embraced by all employees. Based on the WEF-PwC skills-first framework shared earlier, the energy group has essentially established the infrastructure and resources within the action areas to transition to a skills-first organisation, equipping its enablers with a common language in terms of strategy as well as competency definitions.

For a more modestly sized organisation such as Malaysia's national mortgage corporation, its transition to a skills-first organisation is more organic, based on needs and capacity. Its approach in employing a skills-first framework was, first, to enable talent movements and rotations across functions to maximise certain adjacent skill sets that can benefit both the receiving function (for specific work to be done) and the talent involved (in gaining diverse experience and having the opportunity to work on more interesting assignments).

Skill sets are identified throughout all layers of the organisation, including the non-executive staff. Consequently, by itemising hard and soft skills that each talent has and each job requires, at a granular level, they were able to be more targeted in their upskilling towards work areas that require specific skill sets or towards talents that desire a specific type of work. The organisation does not see itself as purposely employing a skills-first approach but, rather, consciously doing things in a more agile way, owing to its deliberate lean and focused structure design.

In addition, one of Malaysia's largest asset management and infrastructure solution organisations has been making strides in crafting its skills-first framework, with a particular emphasis on honing core leadership competencies throughout all organisational levels, from top-tier management to non-executive staff. This comprehensive approach

has been meticulously designed to ensure that skills development aligns seamlessly with its business-driven strategy, fostering a cohesive connection between the two.

The organisation has diligently laid the groundwork for a robust infrastructure that bolsters its skills database, facilitates skills assessment and fosters skills development. Although the primary focus lies in strengthening leadership skills, it has also dedicated attention to the functional skills required for cross-industry job mobility within the middle management layers.

The integration of business-driven strategies and skills development initiatives underscores the company's determination to remain agile and relevant in an ever-changing world. By fostering a culture that values continuous learning and growth, it is equipping its workforce with the tools and expertise needed to succeed in these extraordinary times.

Notably, other organisations of varying sizes and across diverse industries have also embarked on their skills-first journey, each implementing its unique approaches at different levels. There is no one-size-fits-all solution for skills development; rather, it requires a tailored and adaptable approach to suit the specific needs and objectives of each organisation.

## Roadblocks offer a new perspective

For employers, the required action steps to become a skills-first organisation may still be lacking or sporadic in their implementation. In certain industries such as healthcare, financial services and aviation, which are heavily regulated, experience and qualifications are still prioritised over additional skills when considering candidates.

In addition, even though a skills-first approach is gaining momentum at the recruitment level, full implementation across an organisation's talent management system may not be as robust. It may be necessary for employers to adopt a more targeted approach to learning and development initiatives for a better employee upskilling experience.

For employees, communication and engagement play a critical role in raising their understanding and acceptance of a

skills-first organisation. Even within HR, practitioners still think from a job description perspective rather than a skills profile perspective. PwC's Workforce Hopes and Fears survey found that half of Malaysian respondents believe that the skills required for their jobs will undergo significant changes within the next five years. The current digital divide between urban and rural Malaysia could contribute to the insufficient awareness of the available skills required for the future.

Even if employees are ready to embrace the change, it may be less optimistic in reality. As seen in the energy group's journey towards a more comprehensive skills-first culture, changing the habits and mindsets of people who have been trained to work on the same processes and systems for years is an ongoing challenge. Similarly, gaining buy-ins from its employees to move to different roles across different functions also proves to be a challenge for the other two organisations highlighted.

## Pursuing a just transition

Organisations will need to consider the "just transition" principles of fairness and equity. Malaysian employees increasingly expect their employers to maintain a good record in protecting worker health and safety, managing impact to the environment, and addressing diversity and inclusion.

Beyond considering work values, priorities and needs across four generations of the workforce and across levels, organisations will also need to be inclusive of disadvantaged groups — such as those with disability, who have low skilled, long career gaps as well as those classified as foreign workers. It is encouraging to note recent tax incentives to encourage organisations to employ the disadvantaged, including disabled persons, ex-convicts, homeless persons and unemployed persons. We also cannot discount the growing trend in older workers (including retirees) participating in the workforce post-pandemic.

This means ensuring that the policies and practices when implementing a skills-first approach leaves no one behind in the process. Under the recently announced Madani Economy, the government aims to increase the female labour force participation rate to 60% within 10 years. Some organisations have made an effort to enhance opportunities for women in leadership positions. Addressing the upskilling needs of the workforce in the area of green skills to urgently address environmental, social and governance (ESG) issues is also key.

In conclusion, organisations need to establish clear skills frameworks, leverage current available skills and identify adjacent skills that can complement targeted skills. Concurrently, investing in skilled resources to set up a skills database and identifying external collaborators to facilitate upskilling is crucial.

Facilitating the transition to a skills-first organisation through supporting policies, leadership commitment and regular engagement with employees should also be part of the journey. Collective action involving various levels and backgrounds will pave the way for success. ■

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## A skills-first framework by the World Economic Forum in collaboration with PwC: Key enablers and key action areas

