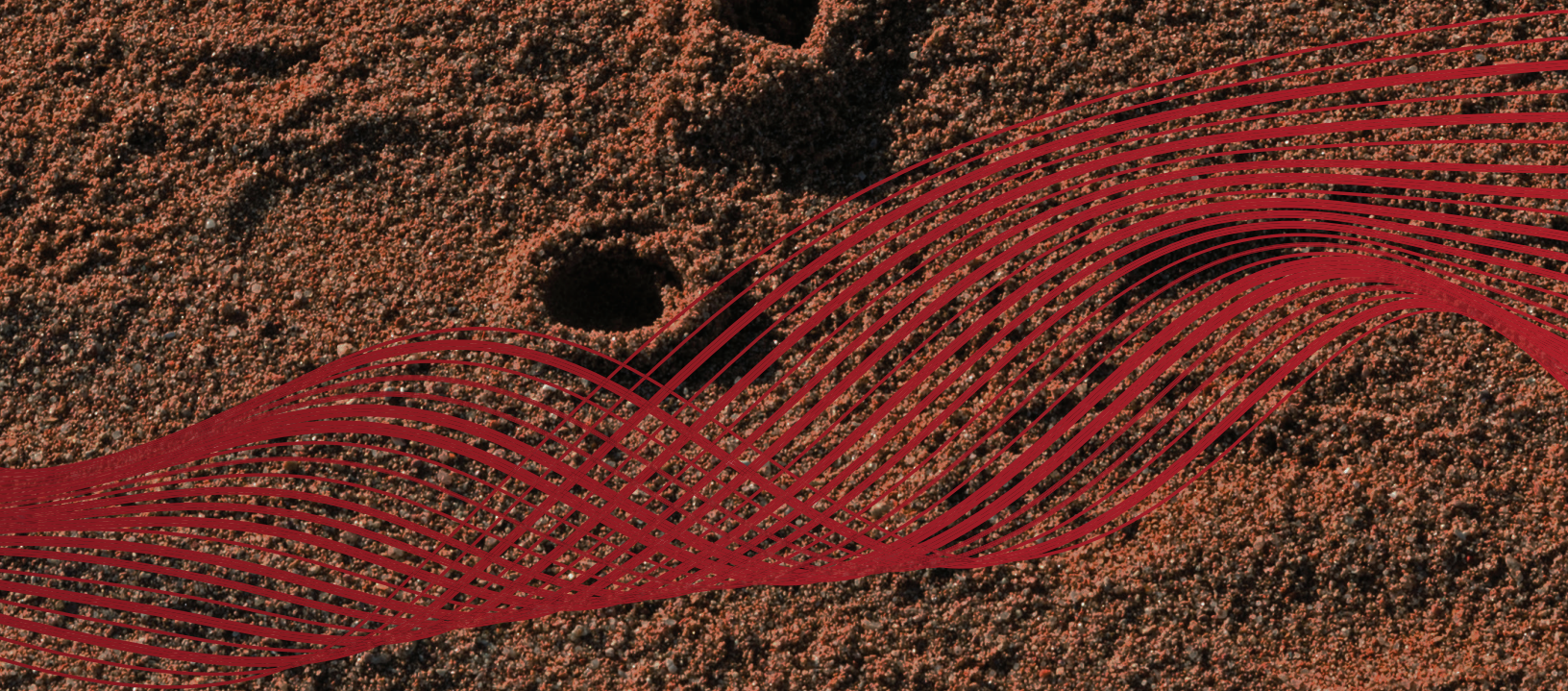


Skills & Competencies:

What's the Deal?

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About RedThread



Sure, we're experts in performance, people analytics, learning, and D&I—and we're well-versed in the technologies that support them. But we're also truth-seekers and storytellers in an industry often short on substance, and too full of @#\$%. Our mission (indeed, our very reason for existing) is to cut through the noise and amplify what's good. We look for the connections (or red threads) between people, data, and ideas—even among seemingly unrelated concepts. The result is high-quality, unbiased, transformative foresight that helps you build a stronger business.

To learn more, reach out to us at hello@redthreadresearch.com or visit www.redthreadresearch.com.

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Key Findings



1. **Skills and competencies are two sides of the same coin.** Skills and competencies both help answer 2 critical questions:

- “What can our workforce do now?”
- “What will our workforce need to be able to do in the future?”

Although there are differences between the 2—both material and perceived—forward-thinking orgs are finding ways to reconcile skills, competencies, and the data they both offer to solve their people challenges.

2. **Leaders don’t need to choose between skills and competencies.**

HR functions sometimes debate about which framework—skills or competencies—to use. Instead of trying to choose 1 of the 2, however, all of HR should embrace both frameworks to ensure as much information as possible about employees’ abilities and expertise is surfaced. This approach can both afford employees opportunities they wouldn’t otherwise have and also enable the org to make better-informed talent decisions.

3. **Skills and competencies can help solve business challenges.**

Skills and competencies can only be effectively reconciled within the context of the people-related business challenges an org is facing. The 4 people challenges that skills and competencies most often help with are:

- Employee development
- Career mobility
- Diversity, equity, inclusion, and belonging (DEIB)
- Performance management



4. **Leaders should consider all the skills and competencies data available.** Having more data (both broader and better) usually equates to having a more complete picture of the skills and competencies within an org—and what's still needed to meet org goals. As companies begin to consider skills and competencies together, accounting for the data provided by both can help to more fully inform the org's strategies and decisions.
5. **Employees need clear messaging about skills and competencies.** Employees and business leaders are often confused by skills and competencies. Many employees don't care about the differences between the two: They just want to know what's expected of them. Leaders should create clarity by using consistent terminology and messaging that highlight not only how employees should use skills and competencies systems, but also the benefits of skills and competencies for employees.



Skills & Competencies: Why We Struggle with These Terms



The ongoing skills conversation has ramped up since the beginning of 2020. COVID-19, a social justice movement, and multiple natural disasters have created a business imperative for orgs to pivot quickly and continually. These events have also spotlighted the longstanding need for orgs to support *all* employees, not just a select few.

Skills, which used to be a conversation about robots taking human jobs, has become one about org agility and inclusivity. Central to this conversation are 2 questions:

- What can our workforce do now?
- What will our employees need to be able to do in the future?

Leaders must help their businesses by figuring out fast, user-friendly ways to answer these questions. Orgs can't effectively pivot in rapidly evolving environments without clearly understanding what's currently possible and what'll be needed in the future.

Two of the most common frameworks used in this situation are *skills* and *competencies*. During our research on this topic, leaders reported having spent hours talking in circles about the definitions of and differences between the 2 frameworks. Most leaders agree that it often feels like a futile and unhelpful conversation, yet they still find themselves engaging in seemingly endless debates about the differences.



Orgs can't effectively pivot in rapidly evolving environments without clearly understanding what's currently possible and what'll be needed in the future.



Why? From our research, we've discovered 3 reasons.

- 1. Different perceived purposes.** Skills and competencies, as defined by HR, are seen to have different purposes, which may affect how they are used to fill business needs. For example, competencies are still important to efforts like performance management and leadership development. And skills have gained in popularity. But orgs haven't necessarily found a way to reconcile all the perceived differences between skills and competencies.
- 2. Inconsistent language.** The terms "skills" and "competencies" don't have consistent definitions in the literature—and even within orgs they're often not clearly defined. People in various parts of the org, therefore, often try to answer the same questions using an assortment of terms (or the same few terms with different meanings), which only creates miscommunication and confusion. Leaders with cross-functional perspectives should see this as an opportunity to align everyone and speak the same language.
- 3. Technology.** Tech platforms often account for skills and competencies in different ways. In some orgs, information about skills and competencies may even reside in multiple systems. This causes confusion and sometimes incomplete data when, for example, one system uses competencies and another skills.

Bottom line: Orgs must reconcile how skills and competencies are defined and used across the business in a helpful and clear way. Let's start by first exploring these 2 terms.

How *ARE* they different & does it matter?

Confusion with these terms clearly exists. From our literature review, we found lots of contradictory information about what skills and competencies really are. Some sources used these 2 terms interchangeably, while others drew clear distinctions. Leaders we spoke with corroborated this confusion, reporting that most people in their orgs don't know if the 2 terms are synonymous or different—and whether it even mattered.

As it turns out, the differences *do* matter—but only to those of us trying to make them work together in our orgs. As we discuss later in this report,

Orgs must reconcile how skills and competencies are defined and used across the business in a helpful and clear way.

The differences do matter—but only to those of us trying to make them work together in our orgs.



messaging to the broader org may need to be very different from what's going on "under the hood" with skills and competencies.

That said, understanding the key characteristics of skills and competencies can help orgs both leverage each more fully and combine them in helpful ways. When we dug into the characteristics, we found that most leaders agree on the characteristics for each as shown in Figure 1.

Figure 1: Key Characteristics of Skills & Competencies



Source: RedThread Research, 2021.

Characteristics of skills

In general, skills tend to be more granular, descriptive, and applicable across jobs or orgs. They describe *what* an employee can do, but rarely do they prescribe how a task or job should be done. Skills data is often dynamic and real-time, since it's gathered through a number of continually updated sources such as employee skills profiles, social media pages, and operational systems like email. In many cases, the employee is responsible for their own skills profile and development.

In more traditionally structured orgs, skills are used to understand (by accessing far better information than a resume can provide) which employees can fulfill open roles. More orgs are paying attention to current

Skills tend to be more granular, descriptive, and applicable across jobs or orgs—describing what an employee can do, but rarely prescribing how a task or job should be done.

employees' skills as they've realized the benefits of hiring internally versus acquiring skills from the outside.

While the conversation on skills has been around for some years now, the skills movement continues to gather steam as “future of work” conversations continue to happen and orgs continue to move toward project- and team-focused ways of managing work. Understanding the skills a workforce has allows leaders to identify individuals who can form teams to accomplish pieces of work.

Characteristics of competencies

Competencies tend to be broader than skills, prescriptive, and specific to (or at least in the context of) a job or org. They tend to describe the behaviors expected from employees by explaining *how* a job should be done, or how an employee should perform to succeed in that particular org or job.

While competencies can come across as slightly archaic and cumbersome (particularly as the world becomes more skills-focused), they can provide tremendous value to orgs. Competencies are often seen as the “how” in comparison to the “what” of skills. Because of their focus on behaviors, competencies are essential in some orgs to maintain a healthy culture and, quite frankly, public image. They also provide robust and defensible structures for many performance management systems.

Competencies are typically identified from the top down, involving leaders to identify and outline key expectations—aligning competency data closely with broad org needs, goals, and often culture. But it also means the data is typically static and from a point in time. As such, HR often owns competencies, and is responsible for periodically reviewing and updating them as needed.

“And” not “or”: Making the most of skills & competencies

Perhaps because of the differences in these terms, HR functions may disagree about which one—skills or competencies—to use. Instead of trying to choose 1 of the 2, however, all of HR should embrace *both* frameworks to ensure that as much information as possible about

Understanding the skills a workforce has allows leaders to identify individuals who can form teams to accomplish pieces of work.

Competencies tend to describe the behaviors expected from employees by explaining how a job should be done, or how an employee should perform to succeed in that particular org or job.



employees' abilities and expertise is surfaced. This impacts business in 2 ways, as this information:

- May well afford employees opportunities they wouldn't otherwise have access to or know about
- Enables the org to make better-informed talent decisions

This is no simple feat. There's no clear "right" way to implement skills and competencies together in an org. That said, our review of almost 100 articles, discussions with 50 leaders in our roundtables, and in-depth interviews with 6 orgs all led us to 3 key strategies that enable orgs to find what works best for them:

1. Using skills and competencies to solve business challenges
2. Identifying and using the data they both provide
3. Crafting a clear message about skills and competencies

In the following sections, we take a closer look at each of these strategies and how they can impact different business challenges.

Competencies are often seen as the "how" in comparison to the "what" of skills.



Using Skills & Competencies to Solve Business Challenges



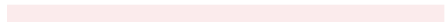
One of the resounding themes of this research is the need to take business goals into account when considering skills and competency strategies. Leaders emphasized that skills and competencies can only be effectively reconciled within the context of the business challenges the org is facing. One leader put it quite well:

“What’s the business problem you’re looking to solve? A new way to hire people? Learning objectives? Career paths? You might want skills in one situation and competencies in another.”

—Christina Norris-Watts, Head of Selection Assessment & Competencies, Johnson & Johnson

We find this idea enlightening. Like most people decisions, use of skills and competencies should depend on what orgs are trying to do. In our discussions with leaders, it was refreshing to see how they view skills and competencies helping with some of their larger people challenges. From those discussions, leaders identified 4 primary business challenges for which skills and competencies could play a role:

- **Employee development.** How and what kinds of resources are used to build the skills and competencies of the workforce
- **Career mobility.** How employees move around, up, down, and out of an org, based on both their preferences and the needs of the business
- **Diversity, equity, inclusion, and belonging (DEIB).** How well an org provides transparent opportunities to all of its employees
- **Performance management.** How orgs determine an employee’s progress and pay



Like most people decisions, use of skills and competencies should depend on what orgs are trying to do.



Interestingly, while for some business challenges either competencies or skills takes the lead, both were identified as being useful to each of these challenges. Let's dive into them.

Employee development

We listed employee development as the first business challenge that skills and competencies can help address because it's likely the most obvious. A [2019 McKinsey study](#) emphasized that the future of L&D depends on the ability to identify and develop the employee skills and competencies which will support the execution of the company's business strategy.¹

L&D can no longer succeed using the "shotgun" approaches of yesterday—strategies that provide all employees with the same training, regardless of whether or not they need it. Instead, orgs should know, in very targeted ways, what their employees can do and what they need to be able to do—then fill in the gaps.

Understanding skills and competencies can help L&D functions fill those gaps by enabling many types of development opportunities, not just providing content. As development becomes more widely defined, for example, orgs are helping employees find assignments that enable them to grow.

"Let's say a project requires 10 skills. An employee has 8 of them and wants to develop the other 2. That's a perfect match because we know the employee can do the project without failing, but will also get some development out of the experience."

*—**Caroline Theaker**, Senior Manager for Learning Strategy, Lloyds Banking Group*

In Figure 2, we offer examples of how skills and competencies are each being applied to development issues in orgs today.

In very targeted ways, orgs should know what their employees can do and what they need to be able to do—then fill in the gaps.



Figure 2: How Skills & Competencies Can Help with Employee Development

SKILLS ...	COMPETENCIES ...
<ul style="list-style-type: none"> • Enable personalized delivery and curation of the development opportunities an employee needs, when they need them. • Empower employees to locate development opportunities that match company needs as well as their individual interests and goals. • Allow L&D functions to identify org- or team-wide skills gaps, helping leaders understand where to focus development needs in the near future. 	<ul style="list-style-type: none"> • Identify the behaviors for personal and career growth via individual development plans. • Help managers track an employee’s growth and progress toward performance goals. • Give employees understanding and transparency about their performance in terms of expectations in their current role.

Source: RedThread Research, 2021.

Using both skills and competencies improves employee development by helping an employee move toward their career goals (illuminated by skills) and helping an employee improve against performance expectations for their current role (associated with competencies).

Career mobility

The goal of career mobility is to move employees around the org in ways that benefit both the employee and the business. To do this effectively, leaders should know what an employee can do, what they *want* to do, and where the org has a need.

Thinking in terms of the skills and competencies employees have can contribute to career mobility efforts by identifying what the employee can do (the employee’s skills and competencies) and where there’s a need (the org’s skills and competencies gaps).

Most orgs view skills as being more granular and transferable, so knowing what skills employees have can be valuable for making informed decisions about roles anywhere in the org for which employees may be best-suited.

For example, during the early days of the pandemic, one org had to jettison many of its retail stores. At the same time, it realized an increased need in its customer support function. Because the company understood

Skills and competencies can contribute to career mobility efforts by identifying what the employee can do, what they want to do, and where there’s a need.

the skills required to succeed *and* the skills its retail employees already had, the company reskilled its existing retail employees for a stint in customer service—allowing the org to respond quickly to the crisis. One leader views this as a major benefit of having more granular skills data.

“Skills data is usually transferable across jobs or even industries. That allows companies to be more nimble, agile, and quicker to react to the VUCA² world.”

—Learning Lead, global food corporation

Interestingly, while most of the literature and discussion about mobility has focused mainly on skills, competency data can also play a key role in career mobility. Most orgs, thankfully, don’t make decisions regarding how people move about the company based solely on the skills they may have. Particularly in cases of leadership positions, competencies play a big role in mobility decisions, as they define the “how” in how work gets done.

Competencies can also play a role in team formation as well as in the fit and potential performance of employees in new positions.

In our roundtables and interviews, several ideas surfaced about how skills and competencies may be used to address robust career mobility challenges (see Figure 3).

While most of the literature and discussion about mobility has focused mainly on skills, competency data can also play a key role in career mobility.

Figure 3: How Skills & Competencies Help with Career Mobility

SKILLS ...	COMPETENCIES ...
<ul style="list-style-type: none"> • Use tech (e.g., talent marketplaces built on skills inventories) to identify employee skills and corresponding mobility opportunities. • Can populate job profiles to help managers and recruiters better match employees with opportunities. • Provide a common language for everyone to use and understand. 	<ul style="list-style-type: none"> • Set standards for all employees in an org, most often around behaviors and cultural expectations. • Help orgs make robust and informed decisions about promotions and other talent movement. • Shape and inform job descriptions by identifying the qualities to look for in potential candidates.

Source: RedThread Research, 2021.

We talked with an enterprise that's successfully leveraging skills for both employee development and career mobility through a recently launched talent marketplace. Its Talent and Diversity team experimented with the skills data in the system—and specifically, what companywide insights could be extracted from the data.

Real-World Threads: Expanding skills usage beyond the talent marketplace



Challenge:

A 25,000-employee global media conglomerate successfully launched a talent marketplace to support employee development and internal mobility. The company wanted to do more with the data it collected.

Solution:

The Talent and Diversity team experimented with 3 different approaches to glean insights from the data.

- 1. Manual data collection tied to critical needs.** The team asked business leaders to write down the critical skills their teams needed, then asked about 100 people to review the critical skills list and identify which skills they had.
- 2. Skills survey not tied to critical needs.** Without identifying any critical skills, the team surveyed a few thousand people, asking them to list all of their skills and assign a proficiency level to each.
- 3. Skills profiles.** The team asked all employees to complete their skills profile in the skills tech platform, which is dynamic and continually updated.

Outcome:

Experimenting with these 3 approaches helped this business learn a great deal about the best ways to leverage skills data for org insights. All 3 had strengths and challenges. The first approach yielded the richest and most accurate data, but required the most effort to collect. The second approach created granular, accurate data that can be analyzed for valuable insights, but the skills weren't mapped to critical needs. The third approach helped a lot with individual skills development and running the talent marketplace,



and had the potential to offer deep and broad insights from a huge dataset, but this org's tech at the time offered no way to aggregate or cluster the data to extract such insights.

Ultimately, this org identified the second option as the best for their situation and needs, although the third could be scaled in the future.

Diversity, equity, inclusion & belonging

The events of 2020 have compelled orgs to pay much more attention to issues of diversity, equity, inclusion, and belonging (DEIB). Leaders continue to look for ways to level the playing field, give employees the widest possible access to opportunities through mobility and development, and ensure that *all* employees feel they belong and are supported.

While it may not seem immediately obvious, using skills and competencies can be useful in DEIB efforts. Skills and competencies data can be used, for example, to identify biases that may exist in a company, inequities in salary and performance management structures, and outdated talent processes, among others.

For example, InterVarsity Christian Fellowship (IVCF) is a highly decentralized org. Its leaders noticed that employees were being evaluated differently across its varying locations, despite having the same roles and responsibilities. As a result, IVCF is introducing a competency framework to reduce this evaluation bias and ensure all employees are rated fairly.

From our research, we offer specific ways in which skills and competencies can play a role in DEIB (see Figure 4).

Skills and competencies can help leaders level the playing field, give employees the widest possible access to opportunities through mobility and development, and ensure that all employees feel they belong and are supported.



Figure 4: How Skills & Competencies Help with DEIB

SKILLS ...	COMPETENCIES ...
<ul style="list-style-type: none"> • Can mitigate the tendency by some employee populations to underestimate their own abilities. • Help identify DEIB patterns in employee populations regarding development, performance, mobility, and promotions. • Help employees and managers identify development and mobility opportunities, regardless of the strength of their personal or professional networks. 	<ul style="list-style-type: none"> • Provide consistent criteria for performance ratings, feedback, and compensation decisions. • Can identify (via tech) differences in how various employees and / or groups are represented. • Can open the door to opportunities for growth and advancement of underrepresented groups.

Source: RedThread Research, 2021.

Performance management

Performance management (performance) was originally put into place to help orgs differentiate pay.³ While that original purpose hasn't necessarily changed, it's been supplemented. Orgs now see the performance process as continuous—as a way to mentor and coach, to facilitate ongoing feedback conversations, and to develop employees.

With this new mindset around performance come innovations—many of which involve competencies and skills. For example, some newer approaches (such as paying for skills) can help make the criteria used in performance decisions more transparent and objective. Skills, by describing *what* an employee can do, help with this objectivity.

Competencies, on the other hand, have long provided robust and defensible criteria for managers in many orgs to reference in their performance, promotion, and compensation decisions.

Figure 5 identifies ways in which skills and competencies can support performance.

Skills and competencies support innovations in performance management—helping make it a continuous effort to mentor and coach, facilitate ongoing feedback conversations, and develop employees.



Figure 5: How Skills & Competencies Help with Performance Management

SKILLS ...	COMPETENCIES ...
<ul style="list-style-type: none"> • Can provide transparency for performance criteria, such as “paying for skills” in compensation decisions. • Can document an employee’s growth via new and / or advanced skills gained. • Help employees plan their development by identifying the skills needed in a potential next role. 	<ul style="list-style-type: none"> • Add a deeper level of information to performance reviews by providing robust and defensible criteria for evaluations, promotion decisions, and proficiency ratings. • Enhance the overall performance process by defining job criteria in transparent and accessible frameworks. • Can clearly and consistently align individual performance goals with business goals.

Source: RedThread Research, 2021.

Summing up

These 4 business challenges—employee development, career mobility, DEIB, and performance management—became persistent underlying themes in our conversations with leaders about skills and competencies. Leaders should continually ask how skills and competencies can both be used—in ways that make sense for the org and employees alike—to solve business challenges.

From our research and participating leaders, the resounding agreement is that orgs should use skills *and* competencies—not skills *or* competencies—to address these challenges.

Orgs should use skills and competencies—not skills or competencies—to address business challenges.

Getting Started



As orgs use both skills and competencies to meet their needs and goals, alignment with those goals becomes a key consideration. Let's take a look at some of the more specific questions orgs can ask to better align skills and competencies with business challenges (see Figure 6).

Figure 6: Questions to Align Skills & Competencies to Business Challenges

CONSIDER ...

- What are the biggest business challenges facing your org today?
- To what extent does your org currently consider and / or use skills and competencies in solving these challenges?
- Of the ideas shared above, which would be most useful in helping to solve your org's biggest challenges?
- What may be lacking to enable your org to use skills and competencies in any of these contexts? How might these gaps be filled?

Source: RedThread Research, 2021.



Use All of the Data




Within the skills conversation, a core theme is how to use skills data to solve business challenges, including the ones we previously listed, among others. Having more data (both broader and better) usually equates to having a more complete picture of the skills and knowledge an org has—and what's still needed—to meet org goals.

While there's been near-frenzied discussions about skills data, orgs often overlook the information that competencies can provide. As companies begin to consider skills *and* competencies (basically, as 2 sides of the same coin), accounting for the data provided by both can help to inform the org's strategies and decisions.

When, in the course of our research, we identified that skills and competencies can and should exist peacefully within the same org, we naturally assumed that the data from both would also peacefully meld together. That turned out not to be true in all cases, as illustrated by 2 stories from our roundtables:

- One org identified and partnered with a platform that allowed the consolidation of data from many sources. Having many sources of skills and competency data in one place, paired with AI and machine learning, allowed the company to both understand the skills and competencies it had—and infer abilities based on that information.
- Another org realized it could not, at least in the short term, effectively merge all its skills and competency data into one system due to technical limitations on its existing systems. So the company worked with different data sets to accomplish different things. For example: Skills data was mined by asking individuals to self-identify skills, and was used primarily to support individual employee development and career mobility. Competency data was gleaned from performance management systems and used primarily to support analysis at the



As companies begin to consider skills and competencies, accounting for the data provided by both can help to inform the org's strategies and decisions.



functional level. While the data wasn't combined together, identifying and understanding the data from the 2 sources still allowed the org to accomplish its goals.

Regardless of whether orgs consolidate all information into 1 system or use separate systems to service different aspects of skills / competency building, leaders in our study indicated that they're using several types of data. So, let's talk about the sources of that data.

Data sources

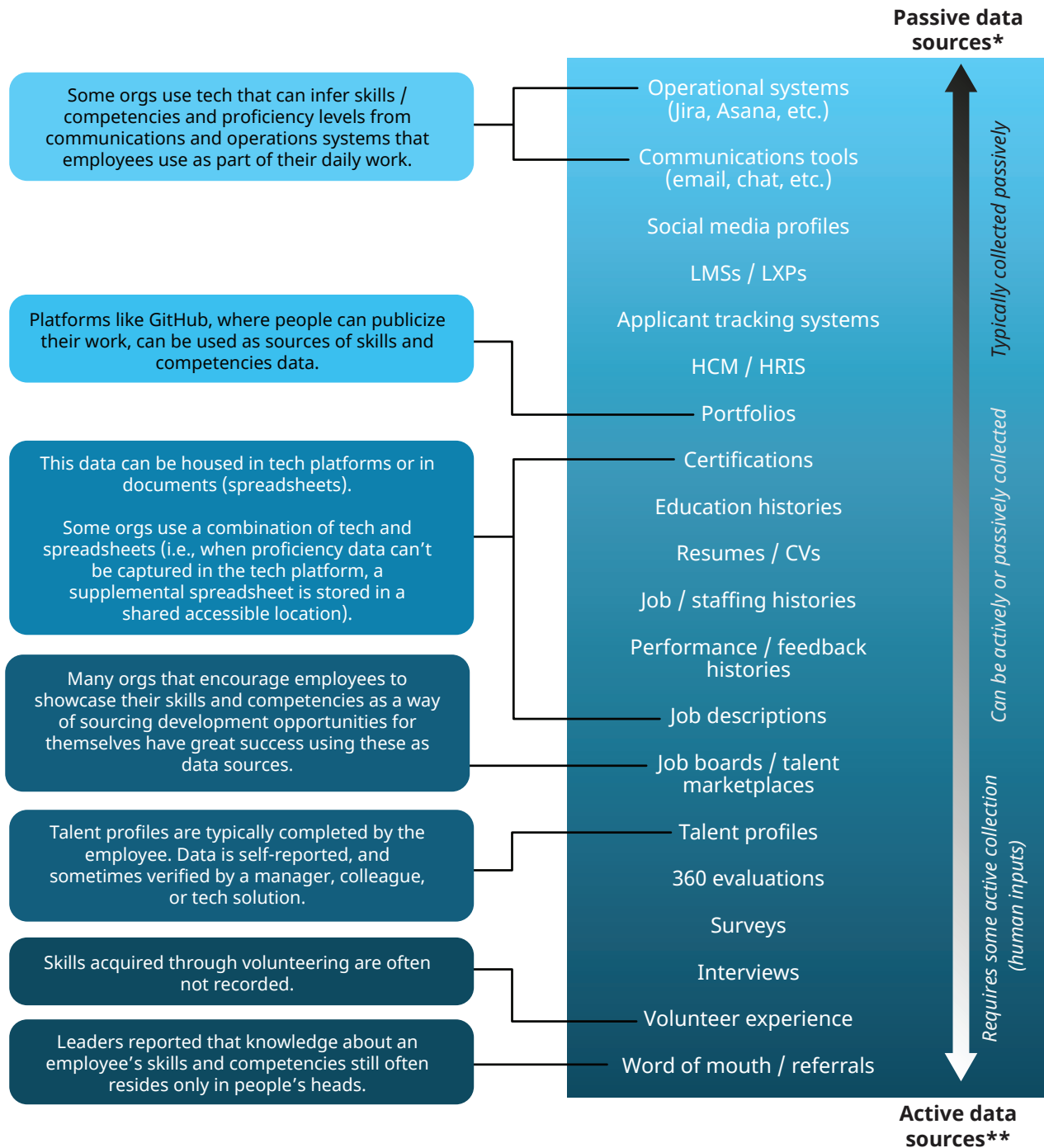
Most orgs starting their skills journey often make the mistake of thinking of skills data in terms of what can be extracted from a skills platform (or a platform with skills functionality). While such platforms are a good place to start, orgs that focus solely on the data in 1 system tend to have a one-note view of their workforce's abilities. Why? Most often, 1 system doesn't account for more qualitative data or data provided in conjunction with competencies.

Our research identified several sources that orgs currently plumb for skills and competencies data. Figure 7 shows these sources and their reliance on humans to gather the data. We explore this reliance on humans—from "active data sources" like talent profiles, which employees must complete specifically as part of a skills / competencies effort, to "passive data sources" like email and chat, through which employees generate skills / competencies data in the course of their normal work.

Orgs that focus solely on the data in one system tend to have a one-note view of their workforce's abilities because one system doesn't account for more qualitative data or data provided in conjunction with competencies.



Figure 7: Active & Passive Sources of Skills & Competencies Data



*Data is created as the org does its business and employees do their jobs; requires little to no extra effort to create.
**Data requires an initiative separate from work to gather it; typically involves significant additional effort to collect.

Source: RedThread Research, 2021.

Aside from providing several sources that offer skills and competency data, Figure 7 also indicates whether the data can be collected and stored using technology, or whether it relies on humans. Several sources exist in the middle of the spectrum that, depending on the org's tech savviness and willingness to invest, can use either tech or more manual methods.

Passive data

Increasingly, orgs use sources which yield data that doesn't require a separate initiative: This data is created in the course of the org doing its business and the employees doing their jobs. We call this "passive data."

While we mostly think of HRIS / HCM systems as providing this type of data, increasingly learning systems (like LXPs), productivity systems (like Asana and Jira), and social media profiles and communication tools are being used as data sources for skills and competencies.

It's relatively easy to extract and consolidate information from these systems: Vendors are getting much better at enabling them to talk to each other to provide real-time data. Having quantitative and qualitative data in 1 place typically allows orgs to do deeper analysis, including inferring skills or channeling data to other systems to help personalize learning or mobility for employees.

Active data sources

While not nearly as sexy, for decades, orgs have used other, more manual sources of data as well. This includes sources such as 360 evaluations, word-of-mouth referrals, surveys, and skills inventories. These, like their passive counterparts, offer all kinds of interesting data—but rely on humans to do the heavy lifting. This type of data almost always involves an initiative separate from work to gather it.

More and more, orgs are utilizing tech to minimize the human lift: For example, surveys are now online, which means they're digitized, and easier to mix with other skills and competency data. Still, the lift is real. We look forward to seeing more solutions for passive data in the future, as some of the tech (e.g., natural language processing, listening, etc.) gets better.

One of the most commonly used methods of gathering skills and competencies data is to have employees fill out a talent profile. But getting

While we think of HRIS / HCM systems as providing passive data, increasingly learning systems, productivity systems, and social media profiles and communication tools are being used as such data sources.

Active data sources offer all kinds of interesting data—but rely on humans to do the heavy lifting.



lots of employees to fill out their profiles is no trivial matter. Collecting data in this manner works *if* employees are motivated to actually fill in their information—otherwise the system remains unused and unhelpful. Some orgs launch a skills or competencies system with a massive push for all employees to complete their profiles. Others launch with little fanfare, like Cornell University in the following real-world story.

Real-World Threads: How Cornell’s “quiet launch” garnered 30,000 manual skills entries

Challenge:

Cornell University wanted employees to be able to learn about development opportunities more democratically and fairly, not based just on social networks or word of mouth.

Solution:

The university launched a skills platform and talent marketplace as a grassroots effort. Cornell made the platform available with minimal fanfare or marketing, and didn’t push employees to complete their skills profiles.

Outcome:

The skills platform and talent marketplace have taken off. Of Cornell’s 10,000 employees, around 5,000 have access to the platform and about 3,000 of those have entered their skills. Now, a total of about 30,000 skills have been recorded for those employees in the system—meaning each employee who used the system added an average of 10 skills to their profile!

“The system shows me people who are like me or can help me, and gigs that can help me develop. It’s making those connections, whereas in the past I would have to know somebody personally.”

—Seth Brahler, Senior Director of HR, Technology and Information Systems, Cornell University



In Cornell's case, employees immediately saw the value of the skills platform for their own development and engaged accordingly. The skills platform presented employees with a list of recommended skills to add to their profiles, from which they could choose the ones they found most applicable. The platform then made recommendations about networking and development opportunities that might help employees close the skills gaps they'd identified in their profile.

Other orgs have found that prepopulating the skills profile, and then asking employees to review and edit their profiles—rather than fill out a blank slate or choose from a list of recommendations—is easier for employees and gives better response rates. In all cases, leaders emphasized that it's critical for employees to see how they'll benefit personally from completing their profiles.

The challenges

Skills and competency data don't necessarily have to be used *together*—and often technology prevents them from being used together. Some of the challenges leaders mentioned when dealing with skills and competencies data include:

- **Inconsistent formats.** Data formats from different technologies (dates in the U.S. vs dates in Europe, for example) make it difficult to align data.
- **Many, many sources.** Skills and competency data live in many places, making it difficult to consolidate and analyze all of it.
- **Silos.** We've talked with some orgs whose structures are so siloed that they can't (or won't) easily share information across boundaries, or they utilize incompatible systems that prevent an easy exchange of information.
- **Residing in people's heads only.** Much of the information about activity that happens outside the walls of the org, including skills developed at home, on volunteer or services assignments, or in past roles, isn't accounted for in any system.
- **Paper.** Some information about skills and competencies lives on paper in file cabinets in deep, dark parts of the org—and are hard to both find and use in that form.

Leaders emphasize that it's critical for employees to see how they'll benefit personally from completing their profiles.



Luckily, tech is increasingly able to help with these challenges. The middle of the data collection spectrum contains sources like job descriptions, performance evaluations, and job histories (see Figure 7). Many orgs rely on spreadsheets and manual entry to track skills and competencies based on these sources—leading to issues with data sharing, version control, and data siloing. But tech exists that can parse these documents to extract skills and competencies: This tech is getting better and more deeply integrated into many skills and competencies platforms.

Leaders emphasized the importance of thoughtfully setting up data collection systems to prevent issues associated with clunky, irrelevant, or unusable data.

Getting Started

In this research, leaders emphasized the importance of thoughtfully setting up data collection systems to prevent issues associated with clunky, irrelevant, or unusable data. Figure 8 lists some questions orgs should consider as they plan data collection for their skills and competencies systems.

Figure 8: Questions to Start Planning Skills & Competencies Data Usage

CONSIDER ...

- What are the biggest questions your org's skills and competencies data should answer?
- How might your org leverage existing data for skills and competencies?
- What challenges does your org face in bringing all skills and competencies data into 1 place, consistently formatted, so that it can be better used?
- How might these challenges be addressed?

Source: RedThread Research, 2021.



Craft Clear Messaging



The final area we want to address in using both skills and competencies is crafting a clear message. As we mentioned at the beginning, the differences between skills and competencies may matter to those of us on the HR backend—but they often confuse leaders and employees on the frontend. In fact, one leader told us:

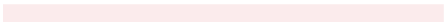
“What does your average consumer want? Whether it’s a people leader, an employee, or a prospective candidate, they just want to know what’s expected. They’re asking, ‘What do you need from me?’ Just give them the answer to that question in really plain language.”

—VP Talent & Diversity, multinational media conglomerate

Unfortunately, in many orgs, the answer to the question, “What do you need from me?” is about as clear as mud. This lack of clarity creates fuzziness about expectations and messes with unity of purpose. As both skills and competencies are supposed to create clarity and provide a unified sense of purpose and direction, unclear messaging foils our efforts.

To create clarity, leaders focused on 2 things:

- **Consistent terminology.** As we’ve discussed, the terms “skills” and “competencies” are inconsistently used in the literature and within orgs. Leaders can create clarity for employees by intentionally choosing, defining, and using consistent terminology to discuss questions of “What can employees do, and what do they need to be able to do?”
- **Clear communication of expectations and benefits.** Employees want to know how they should interact with skills and competencies systems—and, critically, how they’ll benefit from those interactions.



Unfortunately, in many orgs, the answer to the question, “What do you need from me?” is about as clear as mud—creating fuzziness about expectations and messing with unity of purpose.



Regardless of the specific messaging content or terms chosen, leaders emphasized the importance of being clear and consistent: Make a decision and stick to the chosen message.

Leaders also noted that clear communication about skills and competencies can create the buzz needed to help others in the org get onboard with a skills and competencies effort.

Choosing terminology to boost clarity

While we in HR know the purposes of skills and competencies, the distinctions between the 2 are of little consequence to most employees and managers. In most orgs, employees just want to know what they need to do. In these orgs, choosing terminology that makes it easy to talk about expectations becomes paramount, regardless of whether the terms “skills” or “competencies” are actually used—see the first and second examples in Figure 9 below.

In other orgs—for example, in an org in which competencies have been used for some time and skills are just being introduced—clearly distinguishing the terms generates more success. The third example in Figure 9 represents such an org.

In the examples listed in Figure 9, orgs reported that their chosen strategy reduced employee confusion—and increased employee acceptance of their skills and competencies systems. The strategy your org uses should be chosen with your workforce in mind.

Leaders emphasized the importance of being clear and consistent—make a decision and stick to the chosen message.

The messaging strategy your org uses should be chosen with your workforce in mind.



Figure 9: 3 Examples of Messaging Strategies

 <p>Pick 1 term and stick to it</p>	<p>Some orgs pick one term—say, skills—and use that term with employees to refer to anything related to skills or competencies. They may make distinctions “under the hood” within HR, or on the teams actively managing the skills and competencies systems—but all employee-facing messaging uses the same single term.</p> <p>Example:</p> <p>A Fortune 500 financial services company is on a multiyear skills journey. Leaders report that they tend to call everything skills, even though they actually use competencies far more in their tech platform. They’ve discovered that their employees often see competencies negatively. They say: “I don’t need a target,” or “I may lose my job.” Skills are seen more as a development opportunity. About skills, their employees say: “I have an opportunity to get better at this skill.”</p>
 <p>Talk about what’s needed; categorize later</p>	<p>Other orgs report success in using no specific terminology at all. Instead of using terms that employees and leaders must work to understand, they instead focus on concrete examples and descriptions of specific needs.</p> <p>Example:</p> <p>A global financial services group has chosen not to use the terms “skills” or “competencies” to ask business leaders about their needs at all. Instead, HR asks business leaders about “what they need.” They’ve found that ditching terminology entirely has led to rich conversations that illuminate concrete needs—for example, in financial planning. HR then categorizes those needs into skills and competencies after the fact.</p>
 <p>Make clear and public distinctions between skills and competencies</p>	<p>This strategy may seem counterintuitive, given that we’re advising most orgs to reconcile skills and competencies. However, a number of leaders note that they’ve created more clarity and employee buy-in to their skills and competencies systems by very clearly distinguishing between the 2 and giving reasons for the differences.</p> <p>This is particularly the case if an org has a long history using skills and / or competencies. For example, if the org has used competencies for many years, people are comfortable using them, and they’re part of the way business is done, then it might be helpful to clearly define skills in contrast to competencies and outline when employees should use each.</p> <p>Example:</p> <p>A Fortune 100 corporation talks about skills and competencies at different levels of analysis. The company looks at skills at the job level and competencies at the functional level. This distinction helps employees understand the different purposes for the 2 frameworks, as well as how skills can ladder up to competencies.</p>

Source: RedThread Research, 2021.

Messaging expectations & benefits to employees

As we mentioned earlier, inaccurate or untimely data can sometimes do more harm than good. Given that much of the timely and accurate data is provided by employees themselves, orgs should also think about their messaging with respect to getting employees to input their data. To do this, leaders in our study strongly recommend that orgs get serious about consistently and clearly communicating 2 things:

- **What is expected of employees.** Employees want to know what systems are available for helping them track and develop skills and competencies, and how they should engage with those systems. The question they're asking is: "What do you need me to do?"
- **Benefits to employees.** Equally important, employees need to know why and how they'll benefit from engaging with these systems. The question they're asking is: "What's in it for me?"

Leaders emphasized the importance of communicating how employees should interact with systems that help track skills and competencies—and, critically, the benefits to employees of those interactions. Employees need to understand these systems—both how to use them and how those systems can potentially affect their lives.

Inputting data is the part of the process where leaders particularly emphasized clarity of expectations. What information should employees input? Why? Where? How? How often? Answering these questions clearly and consistently can go a long way toward getting the information that's needed in the systems.

Answering the "Why?" question at both the org and employee levels turned out to be particularly important. Many times, employees fail to update their data in employee profiles, keep track of skills developed, or record recent projects completed—because they don't understand the benefits of keeping those systems updated.

Employees need to understand that this data is being used by the org to make real decisions that can impact them. These systems help the org create a more complete picture of their employees, what experiences they have, and what they can do. On a macro scale, this data is used to understand what skills should be developed and to make opportunities more transparent for everyone. On a micro scale, this data is used to make decisions about future roles and projects, opportunities for development, and even performance.

Leaders emphasized the importance of communicating how employees should interact with systems that help track skills and competencies—and, critically, the benefits to employees.

Employees need to understand that this data is being used by the org to make real decisions that can impact them.



Often we see orgs invest a lot of money to implement systems that focus on skills and competencies—but fail to adequately or effectively market them. Orgs should make employees aware of these systems, set expectations for their use, and very clearly help them understand the benefits of using them.

How to best communicate the message

We started this research with the assumption that all orgs should stop trying to distinguish between skills and competencies. It's a confusing and unhelpful effort, we thought, and orgs should create a unified message using language like, "What employees can do."

We discovered, however, that the picture is more nuanced: The most important factor is clear and consistent terminology and messaging that highlights the benefits of skills and competencies for employees. Specific messaging strategies differ based on org culture and employee familiarity with skills and competencies.

The most important factor is clear and consistent terminology and messaging that highlights the benefits of skills and competencies for employees.

Getting Started

In this research, we discovered that there's no one "right" messaging strategy for skills and competencies; messaging should be tailored to an org's history and goals. Figure 10 outlines some questions orgs can discuss to craft a messaging strategy that's most relevant to their situation.

Figure 10: Questions for Crafting Clear Messaging

CONSIDER ...

- What experience do employees have with skills and competencies? What are they familiar with? What do they expect?
- What are employees' biggest challenges around skills and competencies? How should messaging help address these challenges?
- How can your org best articulate the benefits of skills and competencies to employees?

Source: RedThread Research, 2021.



Wrap-Up



When we started this research, we, like many leaders out there, didn't understand the differences between skills and competencies. We thought they were the same—or could be blended into one and the same thing. After careful research, we see a need for both skills and competencies, and the data they each provide. Each has a unique place in an org's ecosystem.


That said, we see a great need for orgs to do 3 things:

- **Consider the strengths of skills and competencies**, and use those strengths to solve business challenges.
- **Consider the data skills and competencies offer.** Use them appropriately, and find ways for technology and systems to use them together more.
- **Craft simple, clear, consistent messaging** that tells employees what's expected of them and how they'll benefit from skills and competencies.

We hope this discussion illuminates for you some of the ways orgs are defining and using skills and competencies—sometimes together, sometimes in parallel—to address their most pressing people challenges.

As always, we welcome dialogue! Please feel free to reach out to RedThread Research and tell us your experiences.

Reach us at hello@redthreadresearch.com and visit our website at redthreadresearch.com.



We see a need for both skills and competencies, and the data they each provide—each has a unique place in an org's ecosystem.



Appendix 1: Methodology



As the skills conversation transformed from a one-note debate about robots taking human jobs to a multifaceted exploration of “What can our workforce do now, and what do they need to be able to do in the future,” we noticed HR leaders grappling with skills and competencies, and were compelled to take a deeper look at how the 2 can work together toward org goals.

We launched our study in fall 2020. This report gathers and synthesizes findings from our research efforts, which included a lit review of 93 articles from business, trade, and popular literature sources; 2 roundtables with a total of 53 participants; and 6 in-depth interviews with learning leaders on their experience with skills and competencies.

For those looking for specific information from those efforts, you’re in luck: We have a policy of sharing as much information as possible throughout the research process. Please see these articles on our website:

- [Skilling: 5 Themes in the Conversation](#)
- [Competencies vs. Skills: What’s the Difference?](#)
- [Skills & Competencies: Differences, Utility, & Messaging](#)
- [Skills & Competencies: Finding & Using Skills Data](#)



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Endnotes

- 1 *"The essential components of a successful L&D strategy,"* McKinsey & Company, Brassey, J., Christensen, L., and van Dam, N., 2019.
- 2 VUCA: "Volatile, uncertain, complex, and ambiguous" was first used by the U.S. Military to describe the post-Cold War era and has since been applied to many other fields, from strategic planning to org leadership.
- 3 *The Makings of Modern Performance Management,* RedThread Research / Stacia Garr, Dani Johnson & Emily Sanders, 2019.

